

KANSAS PUBLIC EMPLOYEE RETIREMENT SYSTEM  
(CASH BALANCE PLAN APPROACH)  
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The following contains the items and criteria that I believe should be incorporated into the new KPERS Cash balance retirement system, similar to Nebraska Employees Retirement Plan.

**Assumptions:**

Current Employees in Tier 1&2 remain in current DB plan

This plan is called Tier 3

New employee hired after January 1<sup>st</sup> 2014, All K-12 Schools, Local and State Employees, Police and Firemen not under KP&F.

DB Hybrid-IRS considers it a DB plan because of the guaranteed credited rate.

Individual Accounts include EE and ER contributions, interest credits and dividends

Member account never goes down

Pooled Assets are managed by professionals who select investment options.

**CB Features:**

Mandatory for newly hired employees.

Contribution rates: 6% EE of Salary, 4% ER = 10%

Credited rate is 5% minimum guarantee, credited quarterly. Assumes 7.50% market return on investments

Annuity Rate is 5%

Optional Dividend as determined by Board, requires fiscally sound plan balance, 1<sup>st</sup> option is for debt reduction of UAL.

3 year vesting period to receive employer contribution portion.

Service credit purchase authorized at full actuarial rate determined by KPERS

## **Distributions options for termination;**

- **Retirement: Federal social security eligibility age or Disability**
- Refund
- Rollover
- Annuity
- Combination (Partial Cash Distribution)

Death- Beneficiaries receive refund or rollover; spouse may receive annuity if currently receiving a benefit, as determined by the annuity option.

## **HOW DOES IT WORK?**

- Member has individual account managed by professionals
- Employer submits EE and ER contributions to the account each payroll period
- Member account is credited quarterly with credited rate.
- Member can view account on-line 24-7-365
- Member receives quarterly statements electronically
- Member charged an annual \$25 administrative expense and recordkeeping fee
- Member share in extraordinary expense, (i.e. computer updates, etc)
- Account accumulates until retirement
- At retirement, member can choose annuity, rollover or refund of account balance
- Member can defer until age 70 ½ then must take distributions.
- Annuity is based on 7.50% market performance, age and account balance.  
Account is liquidated within the trust and transferred to a subset annuity account that pays the benefit. The plan is self-annuitized and the money stays in the plan and continues to be invested.

## **CB Dividends**

- Board may grant dividend if Actuarial contribution rate is at least 95% of the actual contribution rate per statute.
- Funded Ratio must be 100%
- Dividend is based on account value at previous calendar year end.
- Board must apply Dividend to UAL of DB portion of the plan. Until KPERS DB fund status is above 85% no member shall receive a dividend.
- Once account is paid out, member will no longer receive interest on dividends or late contributions.

Utilize in-house record keeping with quarterly member statements available electronically on-line.

Member education available on-line and with information packets & seminars.