

MEMORANDUM

To: Senator Ty Masterson, Chairperson
Senate Ways and Means Committee

From: Alan D. Conroy, Executive Director *A.D.C.*

Date: February 11, 2013

Subject: Information Requests

During the Senate Ways and Means Committee meeting on January 29, KPERS was asked to provide additional information regarding the number of nonvested members in KPERS.

KPERS members vest with five years of service. Vested members are guaranteed a monthly retirement benefit for the rest of their lives if they keep their contributions in their account. Often, if a member has a significant amount of service, the vested benefit is more valuable than the amount of the member's actual contributions. If the member keeps the employee contributions with the Retirement System after leaving covered employment, the member can apply for retirement benefits when he or she becomes eligible. The member's contributions continue to earn interest, and the member can withdraw them at any time if the member changes his or her mind. In that case, KPERS membership is forfeited.

Nonvested members, on the other hand, have accrued less than five years of service. Nonvested members are entitled only to a return of their contributions, plus interest, if they leave before vesting. Nonvested inactive members who do not withdraw their contributions continue accruing interest for up to five years after termination, and they retain their accrued service if they return to covered employment during that period. However, five years after leaving covered employment, the individual forfeits KPERS membership, including previously accrued service credit, and no further interest is applied to employee contributions.

Based on the December 31, 2011, valuation report, KPERS' nonvested membership represented the following proportion of total KPERS membership. These figures include both those who were employed on that date by a participating employer (active members), as well as those who had terminated employment but not withdrawn their employee contributions and interest (inactive members).

	Grand Total: KPERS Members	Nonvested Members					
		Active		Inactive		Total	
		Number	% of Total	Number	% of Total	Number	% of Total
State	30,585	7,317	23.92%	3,088	10.10%	10,405	34.02%
School	108,152	23,296	21.54%	15,054	13.92%	38,350	35.46%
<u>Local</u>	<u>53,176</u>	<u>14,650</u>	27.55%	<u>8,808</u>	16.56%	<u>23,458</u>	44.11%
Total	191,913	45,263	23.59%	26,950	14.04%	72,213	37.63%

Senate Ways and Means Committee
Date: 02-13-2013
Attachment #: 8

As a point of comparison, similar figures relating to KPERS' vested members follow.

	Grand Total: KPERS Members	Vested					
		Active		Inactive		Total	
		<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% of Total</u>	<u>Number</u>	<u>% of Total</u>
State	30,585	16,600	54.27%	2,639	8.63%	19,239	62.90%
School	108,152	60,887	56.30%	7,893	7.30%	68,780	63.60%
<u>Local</u>	<u>53,176</u>	<u>24,897</u>	46.82%	<u>4,073</u>	7.66%	<u>28,970</u>	54.48%
Total	191,913	102,384	53.35%	14,605	7.61%	116,989	60.96%

I would be glad to respond to other questions you may have about nonvested members or other demographic characteristics of KPERS members.