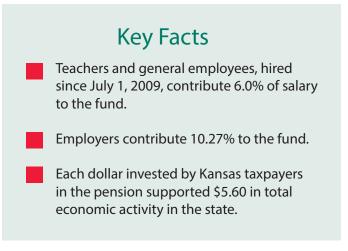## ▶ Overview

The Kansas Public Employees Retirement System administers the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's Retirement System, and the Kansas Retirement System for Judges. The total system provides a defined benefit (DB) pension for its 155,054 active employees, and 80,527 retirees and beneficiaries.

A defined benefit (DB) pension is a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of the retiree's life. Defined benefit (DB) pension benefits often are a function of an employee's years of service and salary at the end of one's career. The benefits are financed by a combination of employer contributions, employee contributions, and investment earnings. However, Taxpayer Bill of Rights (TABOR) legislation has capped the growth in the amount of employer contributions at a level that is not adequate to fund the benefits. Contributions typically are pooled among all employees and invested, with investment decisions made by professional asset managers overseen by trustees.

Key Facts

■ Teachers and general employees, hired since July 1, 2009, contribute 6.0% of salary to the fund.

■ Employers contribute 10.27% to the fund.

■ Each dollar invested by Kansas taxpayers in the pension supported $5.60 in total economic activity in the state.

Legislation enacted in 2012 replaces the traditional DB plan formula based on final pay with a notional cash balance account for employees hired on or after January 1, 2015. In a Cash Balance (CB) plan, the benefits are based on pay credits reflecting each year's salary over a career rather than average earnings in the final years before retirement. Under the plan, the amount of pay credits will increase with years of service and employees will also contribute 6 percent of salary to the account. Each year the notional account is credited with a specified rate of return, which may or may not keep up with growth in salary and could provide a lower replacement rate at retirement Like a DB plan, the assets are pooled and invested by professional asset managers.

At retirement, the notional accounts' value will be converted into a retirement income under the annuity options offered by the plan. The amount of income will depend on a number of factors, including value of the notional account at retirement, the future interest credited to the account and expected longevity protection available from the plan. At retirement, there is an option to withdraw up to 30 percent of the value in a lump sum and get a corresponding lower amount of income each month.

Education employees make up about 54% of the active membership in the overall Kansas Public Employees Retirement System.

▶ Key Kansas Data[1]

The chart below summarizes the key data for KPERS, as of December 31, 2011:

	State Employees	School Employees
Total active employees	23,917	84,183
Total retired, disabled, and survivor beneficiaries	17,801	42,590
Employer contribution rate	10.27%	
Employee contribution rate*	6.0%	
Average annual benefit	$12,734	$13,737
Actuarial value of assets	$2.8 billion	$6.3 billion
Funded ratio	71.3%	52.1%
Unfunded actuarial accrued liability	$1.1 billion	$5.8 billion
Percent of ARC contributed	63.9% in 2007; 65.1% in 2008; 68.0% in 2009; 72.1% in 2010; 74.1% in 2011; 67.2% in 2012	

* The member contribution rate for those hired since July 2009 is 6% of compensation. Those hired before that date contribute 4%. In 2014 and pending approval by the IRS these workers will have a choice to elect to contribute more and get a higher multiplier that 1.4% per year of service. If workers hired before July 2009 choose to contribute 5% in 2014 and increase contributions to 6% effective January 1, 2015 and thereafter, they will receive a 1.85% multiplier for future years of service.

▶ The Economic Impact of Kansas Pensions[2]

Expenditures made by state and local government retirees receiving payments from the KPERS and KSTRS defined benefit plans provide a steady economic stimulus to Kansas communities and the state economy. Within the state of Kansas, 2012 expenditures stemming from state and local pensions supported: :

- 19,993 jobs that paid $838.7 million in wages and salaries
- $2.9 billion in total economic output
- $340.1 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported $1.82 in total economic activity in Kansas. Each dollar "invested" by Kansas taxpayers in these plans supported $5.60 in total economic activity in the state.

---

[1] All data, unless otherwise noted, as of December 31, 2011.

[2] Rhee, N. 2014. *Pensionomics 2014 Measuring the Economic Impacts of DB Pension Expenditures.* Washington, DC: National Institute on Retirement Security.

The following provides a snapshot of key data relative to the **Kansas Public Employees Retirement System (KPERS)**. KPERS provides retirement benefits for state employees in Kansas, including public school employees. The system provides a defined benefit (DB) pension, a retirement plan that typically offers a modest but stable monthly retirement income that lasts the remainder of a retiree's life.

$5.60 The total economic activity in Kansas for each dollar invested by Kansas taxpayers in KPERS.

$2.9 billion Total economic output in Kansas created in 2012 when public sector retirees spent their pension income.e.

$340.1 million Federal, state and local tax revenues generated by spending of Kansas public pension income.

19,993 Jobs created from pension income spending by Kansas state and local government retirees.

84,183 Total active school employee members of KPERS.

$13,737 Average annual pension income for retired teacher in Kansas.

6.0 Percentage of salary that newly hired employees contribute from every paycheck to their pension benefit to share the funding responsibility. Nationally, the median employee contribution rate is 5%.

55.5 Percentage of initial pre-retirement income replaced by the defined benefit (DB) plan for a teacher hired since 2009, who retires with 30 years of service. A replacement ratio of 80% from all income sources is considered adequate for a secure retirement.

273 The number of teachers retained each year solely due to the defined benefit (DB) plan.

$2.9 million Teacher turnover cost savings generated by the retention effect of the defined benefit (DB) pension.

All data come from either the Kansas Public Employees Retirement System or the National Institute on Retirement Security.
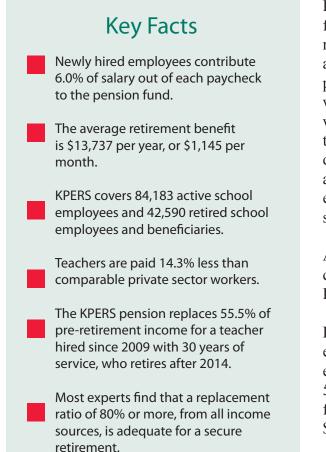
AARP℠

NRTA
AARP's Educator Community

NATIONAL INSTITUTE ON Retirement Security
Reliable Research. Sensible Solutions.

Overview

As early as the turn of the 20th century, American legislators seemed to understand the importance of teacher quality to students' education. A 1917 report on public education noted that, "A school teacher's work is personal, direct, and positive. It works for the good or the ill of each pupil."[1]

Key Facts

- Newly hired employees contribute 6.0% of salary out of each paycheck to the pension fund.

- The average retirement benefit is $13,737 per year, or $1,145 per month.

- KPERS covers 84,183 active school employees and 42,590 retired school employees and beneficiaries.

- Teachers are paid 14.3% less than comparable private sector workers.

- The KPERS pension replaces 55.5% of pre-retirement income for a teacher hired since 2009 with 30 years of service, who retires after 2014.

- Most experts find that a replacement ratio of 80% or more, from all income sources, is adequate for a secure retirement.

Defined benefit (DB) pension plans were first introduced for teachers in the United States to help with the recruitment of high quality educators, and as an incentive to keep those educators in the teaching profession. By 1916, some form of retirement plan was available to public schoolteachers in 33 states. It was thought that such a retirement system might serve two purposes: 1) bringing more diverse, and highly qualified teachers into the profession; and 2) creating a more productive workforce that actually saves public employers money, as one dollar in pension benefits was seen as worth more than a dollar in salary.[2]

All public school teachers in Kansas have pension coverage through the Kansas Public Employees Retirement System (KPERS).

KPERS covers 84,183 active employees of public educational institutions, and 42,590 retired school employees and beneficiaries. Employees contribute 5.57% out of each of their paychecks to the pension fund, on average. The average retirement benefit is $13,737 per year, or $1,145 per month.

The current pension replaces 55.5% of initial pre-retirement income for a teacher in the DB plan hired since 2009 when they retire after 30 years of service. Most experts find that a replacement ratio of 80% or more, from all income sources including additional employee savings, is adequate for a secure retirement. For teachers hired after 2015 their income replacement is not certain and likely could be lower. Their retirement income will depend on the value in their notional cash balance account based on their pay credits earned over their career and interest credits earned. In addition, an employees can choose to reduce retirement income by up to 30 percent if they take some of the account value in a lump sum.

▶ Teachers Receive Lower Compensation

Public employees receive lower wages than their private sector counterparts. Even after accounting for pensions and other benefits, on average, state and local workers receive 7% less than those in the private sector.[3] More specifically, teachers are paid 14.3% less than comparable private sector workers—and this pay gap has increased in the last decade.[4] Teacher pensions play an important role in offsetting the financial impact of lower salaries.

Research shows that pensions are reliable and relieve retirement anxiety. Some 82% of Americans indicated that those with pensions are more likely to have a secure retirement, and 82% believe all workers should have access to a pension plan.[5]

▶ Pensions Help Retain Quality Teachers in Kansas[6]

Better teachers are experienced teachers. DB pensions help to retain highly productive teachers longer, as compared with individual defined contribution (DC) accounts. Moreover, the cost of teacher turnover is quite high, both in terms of financial cost and loss of productivity to the school district.

In Kansas:
- The cost of turnover in Kansas is $10,496 per teacher.
- 273 teachers are retained each year due to the defined benefit (DB) plan.
- The defined benefit (DB) pension system saved $2.9 million in teacher turnover costs in 2003 in school districts across the state. This analysis was not inclusive of hybrid retirement plans, such as cash balance plans.

About NRTA

NRTA: *AARP's Educator Community* is a national umbrella organization for the nation's largest network of retired educators. For nearly 65 years, NRTA has worked with state and local Retired Educators Associations (REAs) across the country on areas of mutual interest in advocacy and community outreach.

Collectively, NRTA and REAs engage and advocate on behalf of nearly one-million retired educators. Our shared priorities are to protect earned pension benefits and to assure access to affordable retiree healthcare. Additionally, NRTA helps inspire and honor the work of REA volunteers through NRTA's With our Youth! national recognition program.

[1,2] Graebner, W. 1978. Retirement in education: The economic and social functions of the teachers' pension. *History of Education Quarterly*, 18(4), 397-417.

[3] Heywood, J., and K. Bender. 2010. *Out of Balance: Comparing Public and Private Sector Pay over Twenty Years*. Washington, DC: National Institute on Retirement Security.

[4] Allegretto, S., S. Corcoran, and L. Mishel. 2008. *Teachers' Pay Continues to Slide.* Washington, DC: Economic Policy Institute.

[5] Oakley, D, and K. Kenneally. 2013. Pensions and Retirement Security 2013: A Roadmap for Policy Makers. Washington, DC: National Institute on Retirement Security.

[6] Boivie, I. 2011. *The Three Rs of Teacher Pension Plans: Recruitment, Retention, and Retirement*. Washington, DC: National Institute on Retirement Security.