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Retirement

S-6 KPERS Early Retirement, Normal Retirement, and Early Retirement Incentive Plans

For the Kansas Public Employees Retirement System (KPERS) that includes state, school, and local governmental employees, the KPERS actuary reviews the actual experience every three years to compare it with anticipated experience (actuarial assumptions) in order to reexamine certain assumptions to see if the actual experience differed from the assumed pattern over the period.

Two of the actuarial assumptions include the estimated rates of retirement, one for early retirement without obtaining full, unreduced benefits at age 55 (and at least 10 years of credited service), and the other for normal retirement with unreduced benefits at 85 points (sum of age plus years of service credit), age 62 (with at least 10 years of service credit), or age 65 (with at least one year of service credit).

There has been statutory authorization since 1983 for both school districts and community colleges to establish early retirement incentive plans. Approximately half the school districts and most of the community colleges established the statutorily-authorized plans, although in recent years many such statutory plans have been closed to new hires.

Actuarial Findings for the 85-Point Rule. For the period 2007 to 2009, the KPERS actuary found that 110.0 percent of school-eligible employees, and 104.0 percent of local-eligible employees, with 85 points and prior to age 62, actually retired when compared with the assumed rate of retirement. The state-eligible employees under the same circumstances retired at the rate of 82 percent of the assumed rate. Both schools and local governments offered *ad hoc* early retirement plans during this period of 2007 to 2009, while the State did not offer such a plan until 2011.

In terms of actual retirements during the 2007 to 2009 period, the KPERS actuary found that under the rule of 85 points, there were retirements by 22.2 percent of those school district eligible employees between the ages of 53 and 62. That retirement rate exceeded the anticipated rate of 21.4 percent by 0.8 percent. For the local units of government, there were retirements by 14.1 percent of those eligible between the ages of 53 and 62. That retirement rate exceeded the anticipated rate of 13.1 percent by 1.0 percent.

The retirement rate for the state group under the rule of 85 for those between the ages of 53 to 62 was 12.6 percent, compared with the anticipated rate of 13.9 percent, which was 1.3 percent lower than expected. There was no early retirement incentive plan for state employees during this period from 2007 to 2009.

Under the rule of 85 points, the retirement rate for the school group was 22.2 percent of those eligible, for the local group was 14.1 percent, and for the state group was 12.6 percent.

Actuarial Findings for Normal Retirement. For employees ages 62 to 75, the KPERS actuary found greater differences from the expected patterns in two of the three groups – state and local. The school group was anticipated to retire at a rate of 29.3 percent, compared with the actual experience

of 29.1 percent. The state group was anticipated to retire at a rate of 27.2 percent, compared with the actual experience of 25.6 percent. The local group was anticipated to retire at a rate of 15.9 percent, compared with the actual experience of 14.8 percent.

Actuarial Findings for Early Retirement. For employees ages 55 to 62 and not eligible for the 85 point rule or normal retirement, the KPERS actuary found slight differences from the expected patterns in the three groups. The school group was anticipated to retire at a rate of 7.4 percent, compared with the actual experience of 7.3 percent. The state group was anticipated to retire at a rate of 7.4 percent, compared with the actual experience of 7.3 percent. The local group was anticipated to retire at a rate of 6.7 percent, compared with the actual experience of 6.6 percent.

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