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October 24, 2011

Ms. Elizabeth Miller
Acting Executive Director and Chief
Investment Officer
Kansas Public Employees Retirement System
600 South Kansas Avenue, Suite 100
Topeka, KS 66603

Dear Liz:

As one of the follow-up items from the September meeting of the Study Commission, we were asked to provide information regarding member behavior with respect to the partial lump sum option (PLSO). The triennial experience study includes an analysis of elections under the PLSO. The statistical information provided in this letter is the same as the information shown in the experience study report for the three year period, January 1, 2007 through December 31, 2009.

Background

Effective July 1, 2001, retiring members under KPERS, KP&F and Judges have had an option to elect to receive a portion of their total benefit in the form of a lump sum. The lump sum percentage may be 10, 20, 30, 40 or 50 percent of the total benefit. The intent of the Legislature was for this partial lump sum option (PLSO) to be "cost neutral" to the System, i.e. neither increase nor decrease the unfunded actuarial liability and employer contribution rate. As a result, the member elections are studied in each experience study to ensure the PLSO elections are cost neutral. Actual experience supports the fact that the PLSO as an optional form of payment has neither helped nor hindered the funding of the System.

During the period July, 2001 through December, 2009, there were 39,863 retirements. Of that group, 27,210, or 68%, did not elect a PLSO (so 32% did elect a PLSO). For those members who did so elect, the majority elected a 50% PLSO, with 10% PLSO being the second most popular election. The following table summarizes the PLSO election experience for both calendar years 2007-2009 and inception to date (July 2001 through December 2009).

PLSO Election	Number of Retirees			
	Calendar Yrs 2007-2009	Percent Electing	July 2001 to Dec 2009	Percent Electing
None	11,707	65%	27,210	68%
10%	1,428	8%	2,510	6%
20%	733	4%	1,423	4%
30%	491	3%	985	2%
40%	283	1%	595	2%
50%	3,530	19%	7,140	18%
Total	18,172		39,863	

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Ms. Elizabeth Miller
October 17, 2011
Page 2

The expectation in the valuation is that about 12% of total benefit payments will be made as lump sum payments and the rest will be paid as monthly income.

If you have any questions or additional information is needed, please let me know.

Sincerely,

A handwritten signature in blue ink that reads 'Patrice Beckham'.

Patrice A. Beckham, FSA, EA, FCA, MAAA
Consulting Actuary