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May 2011

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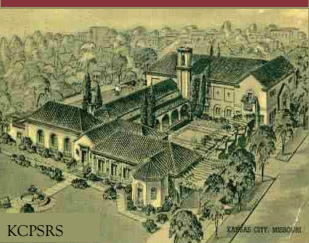
Joe Schaefer

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Newsletter Editor
Ms. Jean Reese

Whatever else we may
do with the time of our
lives, nothing can be of
more enduring
consequence than the
hours we give to the
health and growth of our
own hearts.

Robert Sexton



PENSION FUND NEWSLETTER

67 YEARS OF SERVICE

From the desk of Tom Mann,

District Downsizing and Its Effect on the Retirement System

With the school closings and the dramatic downsizing of the Kansas City, Missouri School District we have had several calls inquiring as to what kind of effect this downsizing will have on the actuarial health of the pension fund. The short answer is it will have some negative effect, but not enough to stop the System's funding level from improving.

To measure the health of a retirement system such as this one, we hire an actuary. An actuary is trained in mathematics and statistics and works to determine if the assets of the system and the contributions provided by the employees and employers are sufficient to cover the benefits promised to the employees over their lifetimes.

The actuary analyzes the ages, salary levels, and years of service of active members, and the ages, benefit levels of, and options selected by, retirees and beneficiaries. Assumptions about mortality, retirement rates, salary increases, refund rates, disability rates and other factors are used to model a picture of how much money will be needed to pay for everyone's benefits over their lifetimes.

The closing of the schools increased retirements in the short-term. This added modestly to the System's liabilities, but the wave of retirements was a one-time occurrence. The closings will also reduce the number of active employees in the long-term. This leads to a decrease in future contributions, but also a decrease in future benefits earned. Given the improvements in our investment performance (see related article) over the last two years, the effect of both of these issues has been muted.

The System is designed to pay the benefits promised at the end of each member's career for their lifetimes. The assets and contribution levels required to fund the benefits promised have remained sufficient, and even with the reduction in force and increase in retirees we expect improvement in our funding level. Long-term actuarial projections continue to show the System returning to full funding over time. Benefits for retirees, and the benefits of those still working in the System, are safe.

KCPSRS Successful in Legislative Effort

House Bill 229 is a proposal by the Kansas City Public School Retirement Board and was sponsored by then Representative Shalonn “Kiki” Curls. This bill contains several provisions added to our statute to conform with IRS requirements on qualified pension plans.

There is one additional provision in this bill giving an added tool to the Retirement Board to protect the System from double-dipping (*a person working full-time in the System while receiving a retirement benefit*). In addition to the 600 hour limitation on a retiree working as a part-time employee, the total salary earned by the retiree for part-time service each school year will be limited to not more than one-half of what the retiree was earning when the retiree left service (with adjustments for inflation). The salary limitation is similar to a provision in the Missouri State Teacher’s Retirement System for retirees. It should also be noted the 600 hours allowed by KCPSRS is greater than the 550 hours allowed by the State Teacher’s System.

The Board thanks “Senator” Curls, who is now the only individual to successfully carry a bill through the House of Representatives and then, as a Senator, through the Senate. Her attention to detail and ability to explain the complicated nature of the bill in committee meetings and on the floor of both the House and the Senate assured the successful conclusion of this bill.

Investments Improve Funding Level of Retirement System

Over the past two years KCPSRS investments have provided returns in excess of the eight percent assumed by our actuary, improving the funding level of the retirement system. As you may be aware, the plan’s funding level on a market value basis dropped to 78% at the end of 2008, the worst investment environment any of us have ever dealt with, and has been slowly improving ever since.

The Board has kept the pension fund fully invested since the crash and as a result the fund has participated in the recovering markets over the last two years. The fund is fully diversified in domestic and international stocks and fixed income investments, and is enhanced with hedge funds, private equity and real estate investments. The diversity of the investment portfolio provides stability in markets that have shown considerable volatility.

The Board uses a professional investment consulting firm that advises institutional investors such as pension funds and endowments. Currently that firm is Segal Advisors of Boston. With the consultant’s help, an investment policy is

maintained providing a target portfolio designed to achieve a specific rate of return with a minimum amount of risk.

With considerable input from the consultant, the Board hires professional money management firms who specialize in specific asset classes needed to fill out the portfolio. The performance of each investment firm is monitored constantly by the consultant and staff and are reviewed quarterly by the Investment Committee and the Board of KCPSRS.

For the time period that has elapsed from the bottom of the market in March 2009 the fund investments returned 29.8% for the year April 1, 2009 through March 31, 2010, and 14.01% for the year April 1, 2010 through March 31, 2011. The fund has recovered from a market low of \$564 million on March 31, 2009 to \$731 million as of March 31, 2011.

The pension plan funding level of 84% at market value as of January 1, 2010 increased from the January 1, 2009 level of 78%. We are expecting the January 1, 2011 actuarial valuation of KCPSRS to show continued improvement in the funding level when it is presented in June.

This Plan Is Not A 401(k)

Individuals often refer to us as a 401(k) retirement plan. A 401(k) is a Defined **Contribution** Plan. The Public School Retirement System of the School District of Kansas City, MO (KCPSRS) is a 401(a) Defined **Benefit** Plan governed by federal law and the Missouri Revised State Statutes.

Retirement plans generally fall under one of the above mentioned categories: Defined Benefit (DB) Plan or Defined Contribution (DC) Plan. Although both plans are ways to save for retirement, they are vastly different from each other.

A Defined Benefit (DB) Plan uses a definite formula by which individual benefits are calculated. In other words the "benefit" formula is "defined". As an individual in a DB Plan you will be entitled to a lifetime monthly retirement benefit once you meet the eligibility requirements for retirement. Normal monthly benefits are calculated based on a multiplier, your years of creditable service, and your highest yearly salaries. Because the benefit is paid over a lifetime, it cannot be outlived.

The benefit does not change or drop when the stock market falters. A DB Plan's sponsor assumes responsibility for investment risk. Generally, DB Plans have a wider range of investment options than are available to individual DC Plan investors, and are professionally managed at a much lower cost than an individual pays for an account.

In contrast, in a Defined Contribution (DC) Plan, an individual's benefit is based on the contributions made to the plan and the investment earnings. In other words, with this type of plan the "contributions" are "defined." The individual bears the investment risk. Poor investment choices can result in inadequate retirement savings.

With a DC Plan, individuals may outlive the funds available to them during retirement. The benefit is determined by how well an individual invests the account and the market conditions at and during retirement. An example of a DC Plan is a 401K or a 403B.

There are additional advantages to DB Plans like ours that are not found in DC Plans. These include cost of living adjustment provisions for retirees when they are affordable, death and disability benefits, and pension formulas that are structured to account for inflation during an employee's tenure.

We think the combination of both a DB plan such as ours, and a supplemental 403b DC plan, such as those offered by some of our employers, is the perfect solution when approaching the retirement question. The DB pension plan, the 403b savings plan, and your social security benefit comprise the three-legged stool so important to a quality retirement. To learn more about our plan download a copy of our Facts Book at www.kcpsrs.org. For information on your employer's 403b offerings, contact your HR office.

ATTENTION RETIREES

Over the past months the Retirement System has received returned 1099-R Tax Documents, Bank EFT Statements and other correspondence as a result of retirees relocating to a different address. As a reminder to all retirees, we are asking that you please notify the Kansas City, Missouri Public School Retirement System as soon as possible when you have a change of address. This will assist us in updating your account so that each of you will receive your pension checks, monthly statements and other necessary correspondence sent to you in a timely manner.

THE PUBLIC SCHOOL RETIREMENT SYSTEM OF THE SCHOOL DISTRICT OF KANSAS CITY, MISSOURI

BOARD MEMBERS ELECTED

Elections in November produced one new Board member and welcomed back two others, although one of those switched hats. Joe Williams was elected to fill the active member seat vacated by Caroline Helmkamp who retired, and Caroline was elected to fill the retiree seat vacated with the passing of John Duncan. Curtis Rogers was re-elected to his position on the Board as the other retiree representative. The following are profiles of the three elected Board members.

Joseph G. Williams

The Retirement System welcomes its newest Board Member Joseph G. Williams. Mr. Williams represents the active members of the Retirement System and currently works at Central High School as a Counselor. Prior to this year, he was at Fairview for two years and Van Horn for nine years. (He left that position when Van Horn became part of the Independence School District.) Mr. Williams was just recently elected to serve on the Teachers Union Board as the Retirement Committee Chair. He has served as the President of the Kansas City Missouri School Guidance Counselor Association and has been selected "Counselor of the Year" twice while working in the District. Currently he is the head coach of the Central High Varsity Baseball Team. Privately he enjoys golfing, fishing, gardening and traveling with his family. He has two children who attend schools in the KCMO School District and his wife is a doctor who recently opened a health clinic on the Plaza.

Caroline Helmkamp

Caroline Helmkamp was just elected to represent the retired members of the Retirement System. Prior to her retirement, she served as a active member representative on the Board. In August Mrs. Helmkamp will attend the National Council on Teacher Retirement (NCTR) Trustee Workshop in Boston with other members of the Retirement System's Board. In addition to her responsibilities with the Retirement System's Board, Mrs. Helmkamp is currently serving on the Education Committee of the National Council for Teacher Retirement. She attended their annual planning session in Washington D.C. in March where plans were made for upcoming workshops and the annual meeting. Caroline also attended the annual meeting of the National Institute for Retirement Security (NIRS) held in Washington, D.C. at the same time.

Mrs. Helmkamp remains active in local political campaigns and in the cycling community including cycle safety education for children and families.

Mrs. Helmkamp wishes to thank everyone for their votes in the recent trustee election. She says it is an honor to continue serving on the Board of the Kansas City Public School Retirement System.

Curtis Rogers

Curtis Rogers was re-elected as a retired members' representative. He retired in 2002 from the Kansas City School District after a thirty-six year career. He is currently starting his fourth term as a trustee. He is currently serving on several civic boards in the city. Mr. Rogers is active in his fraternity (Alpha Phi Alpha Fraternity, Inc.) and his Masonic lodge (Green Pastures #128 Lodge). He is also active in his church (Palestine Missionary Baptist Church). He enjoys serving as a trustee and serving the retirees.

REMINDER TO ALL RETIREES

PAYROLL DATES

(Always paid on the last business day of the month)

MONTH	DAY	DATE
JULY	FRIDAY	07/29/2011
AUGUST	WEDNESDAY	08/31/2011
SEPTEMBER	FRIDAY	09/30/2011
OCTOBER	MONDAY	10/31/2011
NOVEMBER	WEDNESDAY	11/30/2011
DECEMBER	FRIDAY	12/30/2011

The Kansas City Association of School Retirees

The K.C.A.S.R. is an OUT GROWTH of the "THE TEACHERS' CLUB", which was CREATED in the 1920'S. Our Organization includes ALL K.C. MO. School Retirees. We meet four times per year, (the third Wednesday in March, May, September and November) for an Enjoyable and Informative Luncheon/Meeting at the Ararat Temple, 5100 Ararat Drive at Eastwood Trafficway & I-435. Our delicious luncheons are \$15.00 and we meet at 11:00 O'clock. Luncheon is served at 12:15 .

Dates are as follows:

September 21, 2011 March 21, 2012 September 19, 2012
 November 16, 2011 May 16, 2012 November 21, 2012

For required Reservations please call Johnella Newton at 913-788-2905.

For more information call Vonda Brooks 816-356-3890.

JOIN US, YOU'LL BE GLAD YOU DID!