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MEMORANDUM

To: Chairman Billinger and members of the Senate Committee on Ways and Means

From: Office of Revisor of Statutes

Date: March 22, 2021

Subject: **HB 2405-Authorizing the issuance of $1,000,000,000 of pension obligation bonds to finance a portion of the unfunded actuarial liability of KPERS.**

House Bill No. 2405 authorizes the Kansas development finance authority to issue one or more series of revenue bonds in a total amount not to exceed $1,000,000,000, plus all amounts required to pay the costs of issuance of the bonds, for the purpose of financing a portion of the unfunded actuarial pension liability of KPERS.

No bonds shall be issued until the issuance is approved by the state finance council. The state finance council shall approve the principal amount, interest rates and final maturity of the bonds except that the interest rate, all inclusive cost, shall not exceed 3.5%.

The bonds do not constitute an indebtedness or obligation of KPERS for which the faith and credit or any assets of KPERS are pledged.

Neither the state nor the department of administration shall have the power to pledge the full faith and credit or taxing power of the state for debt service on the bonds, and any payment for debt service shall be subject to and dependent on appropriations by the legislature.

In 2015 the legislature passed a similar $1,000,000,000 bond issuance to KPERS except the interest rate, all inclusive cost, was capped at 5%. (See K.S.A. 74-49,131a)

The bill takes effect upon publication in the statute book.

The House Committee on Insurance and Pensions amended the bill to authorize the issuance of $500,000,000 of bonds if the interest rate is above 3.5% but does not exceed 3.75%. The House Committee also made a technical amendment to the bill. A House floor amendment was adopted to correct a misspelled word.

The House passed the bill 117-6 on March 4, 2021.