

SESSION OF 2020

SUPPLEMENTAL NOTE ON SENATE BILL NO. 368

As Recommended by Senate Committee on
Ways and Means

Brief*

SB 368 would transfer \$268.4 million from the State General Fund (SGF) to the Kansas Public Employees Retirement Fund (Retirement Fund) of the Kansas Public Employees Retirement System (KPERS) in fiscal year (FY) 2020 for payment of the remaining balance on delayed State and School group employer contributions from FY 2017 and FY 2019, while also eliminating the level-dollar employer contribution payments of \$6.4 million and \$19.4 million per year, over 20 years, placed in statute after such FY 2017 and FY 2019 employer contribution delays.

The bill would be in effect upon publication in the *Kansas Register*.

The bill would make several findings and declarations by the Legislature, including the following statements:

- The SGF has a sufficient ending balance to pay off the balance of FY 2017 state/school employer layered receivable debit in the amount of \$64.0 million;
- The SGF has a sufficient ending balance to pay off the balance of the FY 2019 state/school employer layered receivable debt in the amount of \$204.0 million;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- By paying off the layered receivable debt in the amount of \$268.0 million early, the Kansas taxpayers will save almost \$1.0 million monthly for a total of \$209.0 million in total interest saved;
- KPERS will be able to invest the \$268.0 million now rather than later; and
- Once the funds are placed in the KPERS Trust Fund, they cannot be removed.

Additionally, the bill would include a declaration that the people of the state of Kansas and the members of KPERS Retirement System would all benefit from the early pay off of the layered receivable debt.

Background

The bill was introduced by Senator Denning and 22 additional senators.

In the Senate Committee on Ways and Means hearing, Senator Denning provided proponent testimony, stating the SGF has a sufficient balance to pay off the balance of the State and School employer layered receivables. KPERS would be able to invest \$268.4 million now rather than later, which would provide an advantage due to currently depressed stock valuations. Providing the funding in FY 2020 would also assist KPERS in avoiding liquidation of equities to make monthly retirement payments. The Senator also noted that once funds are placed in the KPERS Trust Fund, they cannot be removed.

The Executive Director of KPERS provided neutral testimony, stating the State would save an estimated \$209.0 million in interest costs over the original 20-year schedule if the bill is passed. The Executive Director noted the actuarial assessments have already accounted for repayment of

previously delayed contributions; however, early payment would provide funds for investment purposes.

No opponent testimony was provided.

The hearing for SB 368 was held concurrently with a hearing for HB 2503, as amended by House Committee of the Whole, which similarly addresses a transfer of \$268.4 million from the SGF to the Retirement Fund of KPERs to pay off previously delayed employer contributions from FY 2017 and FY 2019, while eliminating the current repayment plans over 20 years.

The fiscal note states SB 368 would transfer \$268.4 million from the SGF in FY 2020 for early pay off of previously delayed employer contributions from FY 2017 and FY 2019 to be paid over 20 years. This transfer and payment, the fiscal note states, would reduce expenditures by approximately \$209.0 million over 20 years.