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Representative, 108th District

**Testimony in Support of HB 2561**  
**\$1 billion Transfer to the KPERS Trust Fund**  
February 9, 2022

Vice Chair Croft, Ranking Member Neighbor and Members of the Committee,

Thank you for your consideration of HB 2561. Passing this legislation would result in a landmark achievement of restoring the trust fund to over 80% funded under our current assumptions. Not only has this not happened in many years, one decade ago we were looking at a grim reality of further erosion of our funded ratio below 56%.

Thanks to enormous efforts at policy changes, cooperation across multiple interest groups and market performance since that time, we are in a position for this to be the capstone act to achieve a key measure of stability for our KPERS members and Kansas taxpayers.

While we have much to celebrate, do not mistake this for our point of arrival. Knowing our goal is to meet all future payments in full means having 100% of the assets required for those payments. Some flexibility in our funded ratio is expected with variable market performance. Given our recent years of strong market performance, we would actually expect to be more than 100% funded.

This can give us warning to be vigilant for a reversal of fortune in the market and also for the imbalances of the past where benefits granted exceeded the plans to pay for them.

There are two elements of the \$1 billion transfer. The first \$253.9 million eliminates the annual payments on our reduced contributions from previous years. While it does not affect the funded ratio, it has the greatest impact on reducing state general fund dollars required to service our KPERS debt. This recommendation came to us from the Joint Committee on Pensions, Investments and Benefits and has been included in key budget proposals.

The next \$746.1 million payment does reduce the unfunded liability. This achieves the 80% funded level I commented on earlier, further saves significant compounding interest and reduces our annual payments. I will refer to KPERS testimony for details of the payment savings, but they are over \$100 million per year.

Our current budget surplus gives us the flexibility to consider several options. Taking this step together to immediately reduce debt, solidify our balance sheet and meaningfully reduce future cash flow requirements will pay dividends long into the future.