

MEMORANDUM

To: House Insurance and Pensions

From: Alan D. Conroy, Executive Director

Date: March 7, 2022

Subject: Proponent testimony on SB 421; \$253.9 million KPERS payment

I appear before the Committee on behalf of the KPERS Board of Trustees to request your support for SB 421.

Senate Bill 421 authorizes the transfer of \$253.9 million from the State General Fund to the KPERS Trust Fund to pay the remaining balance of delayed employer contributions from FY 2017 and FY 2019.

Delayed Employer Contributions

The 2016 Legislature approved the delay of employer contributions from the KPERS-School group in FY 2017 and FY 2019. The delayed contributions totaled \$64 million in FY 2017 and \$194 million in FY 2019. The delayed contributions are scheduled to be paid over the following twenty-year periods, commencing in fiscal years 2018 and 2020 respectively. The amounts of the repayments are determined as level dollar amounts described below:

- Payments on the FY 2017 missed contributions are \$6.4 million per year (from the State General Fund) for 20 years beginning in FY 2018. Payments have already been received by KPERS for FY 2018 through FY 2022.
- Payments of the FY 2019 missed contributions are \$19.4 million per year (from the State General Fund) for 20 years beginning in FY 2020. Payments have already been received by KPERS for FY 2020 through FY 2022.

Senate Bill 421

SB 421 authorizes a one-time transfer of \$253,866,022 from the State General Fund to the KPERS trust fund to pay off the outstanding balance of both the FY 2017 and FY 2019 delayed contributions.

Actuarial Impact

Under current law, the delayed contributions from FY 2017 and FY 2019 are assumed to be paid as statutorily scheduled. Therefore, the outstanding balances are treated as contribution receivables in the State/School asset value in the actuarial valuation.



As a result, paying the outstanding balance of the delayed contributions under SB 421 has does not change the assets, liabilities or contribution rates determined in the annual actuarial valuation.

However, having the additional funding in the KPERS Trust Fund will allow for those funds to be invested across KPERS investment portfolio and allow for potential additional investment income.

State Budget Impact

Paying the remaining \$253.9 million balance of the delayed employer contributions means that the annual State General Fund payments of \$6.4 million and \$19.4 million would no longer be required.

The remaining schedule of payments on the delayed contributions totals \$425.8 million over the next 17 years. Paying the remaining \$253.9 million of principal on the delayed contributions in FY 2022 will save the State about \$172 million from the State General Fund in interest costs over 17 years.

While SB 421 does not have an impact on the actuarial cost projections, having the additional funding in the Trust Fund does guarantee the full funding of the delayed contributions. The certainty of receiving the contributions does strengthen the funding of the State/School group. We respectfully request your support for SB 421.

Senate Action

The Senate Ways and Means Committee considered an amendment to appropriate the funding to the Kansas Department of Education and have the transfer occur between the Department of Education and the KPERS Trust Fund. However, the amendment did not pass, and the bill was recommended for passage as introduced.

The full Senate passed SB 421 without amendments by a vote of 40-0 on February 23.

I would be pleased to answer any questions the Committee has regarding SB 421.