



Joint Committee on Pensions, Investments and Benefits

KPERS Operating Budget and
Pension Administration System Modernization

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November 20, 2024



Covering Today

FY 2025-FY 2026 Budget Request

Pension Administration System Modernization



KPERS Operating Budget

KPERS operating budget includes expenditures for:

- General operating expenses (staff, contracts, office space and expenses)
- Investment related expenses (manager fees and investment staff)
- Death and disability administration
- KPERS 457 administration

Benefit payments are considered non-expense items for budgeting purposes.

- This change was made to avoid double counting expenditures to the Trust Fund for employer contributions and from the Trust Fund for benefit payments.



General Operations

KPERS general operating expenditures includes all non-investment staff, contracts with vendors (legal, actuarial, information technology), commodities (building costs, office supplies) and capital outlay (computer equipment).

This portion of the budget includes expenditures for the pension administration system modernization.

All expenditures are from the KPERS Trust Fund.

General Operating Expenditures

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$14,249,851	\$14,872,397
Contractual Services	\$17,796,482	\$22,322,629
Commodities	\$82,500	\$132,500
Capital Outlay	\$500,000	\$500,000
Total	\$32,628,833	\$37,827,526



Death and Disability

The KPERS Death and Disability Fund provides death and disability benefits to active members of the KPERS System and certain other groups of active public employees.

The plan is funded through a 1% employer contribution.

All expenditures for this plan are made from the Death and Disability Fund.

Death and Disability Expenditures

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$417,693	\$421,262
Contractual Services	\$0	\$10,000
Commodities	\$1,000	\$1,000
Total	\$418,693	\$432,262



KPERS 457

KPERS administers the State’s 457 deferred compensation plan, which is a voluntary, tax-deferred savings program available to all State employees and to Local employers who choose to affiliate with the plan.

- As of 6/30/2023 there were 439 Local employers affiliated with the plan.

Empower is the service provider for the plan, providing recordkeeping services.

All expenditures for this plan are made from the Deferred Compensation Fund.

KPERS 457 Expenditures

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$440,266	\$443,895
Contractual Services	\$221,900	\$227,550
Commodities	\$450	\$450
Total	\$662,616	\$671,895



Treasurer's Unclaimed Property

The KPERS Board of Trustees oversees the investment of funds transferred from the Treasurer's Unclaimed Property program, as authorized by the Treasurer.

Administrative costs are paid by the Treasurer's Unclaimed Property Fund. Investment related expenses are also paid from the Fund but are reflected under Investment Related Expenses.

This program is being restarted in FY 2025 after a statutory prohibition on transfers was ended by the 2024 Legislature.

Treasurer's Unclaimed Property Expenditures

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$50,000	\$100,000
Contractual Services	\$0	\$0
Commodities	\$0	\$0
Total	\$50,000	\$100,000



Investment Related Expenses

Investment related expenses reflect the costs related to both the internal KPERS investment staff and external investment managers.

Most investment related expenditures are investment management fees.

In FY 2024, investment related expenses represented 0.166% of the Trust Fund assets.

Investment related expenditures are not limited in the appropriations bill.

Investment Related Expenses

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$3,352,727	\$3,582,145
Contractual Services	\$48,402,153	\$49,659,327
Capital Outlay	\$50,000	\$200,000
Total	\$51,994,880	\$53,441,472

The increased contractual services expenditures are mainly for investment management fees, which assumes the Trust Fund will achieve the 7.0% investment return target.



Benefit Payments

Benefit payments includes all monthly retirement benefits, death and disability benefits, and withdrawals.

The System's actual and projected benefit expenses are expected to increase as a result of the growing number of retirees.

Total benefit expenses are estimated to total \$2.348 billion in FY 2025 and \$2.438 billion in FY 2026.

Benefits expenses are treated as an “off-budget” expenditure.



FY 2025 – FY 2026 Budget Request

Expenditures by Program

	FY 2025 Agency Request	FY 2026 Agency Request
General Operations	\$32,628,833	\$37,827,526
Death and Disability	\$418,693	\$432,262
KPERS 457	\$662,616	\$671,895
Treasurer's Unclaimed Property	\$50,000	\$100,000
Investment Related Expenses	\$51,994,880	\$53,441,472
Total	\$85,755,022	\$92,473,155

Expenditures by Class

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$18,700,537	\$19,419,699
Contractual Services	\$66,420,535	\$72,219,506
Commodities	\$83,950	\$133,950
Capital Outlay	\$550,000	\$700,000
Total	\$85,755,022	\$92,473,155

Expenditures by Funding Source

	FY 2025 Agency Request	FY 2026 Agency Request
KPERS Trust Fund	\$84,426,623	\$91,019,314
Death and Disability Fund	\$418,693	\$432,262
Treasurer's Unclaimed Property Fund	\$250,090	\$249,684
Deferred Compensation Fund	\$662,616	\$671,895
Total	\$85,755,022	\$92,473,155



Pension Administration System Modernization

KPERS maintains a pension administration software application that provides the functionality needed to collect data and contributions from employers, and to process and pay benefits.

The current system was implemented in 2005.

Over the past 19 years, many pension plan design changes have required system customization including the creation of KPERS 2 in 2007 and KPERS 3 in 2012.

The current system is becoming less stable, requires more manual intervention and the cost of maintenance is increasing.

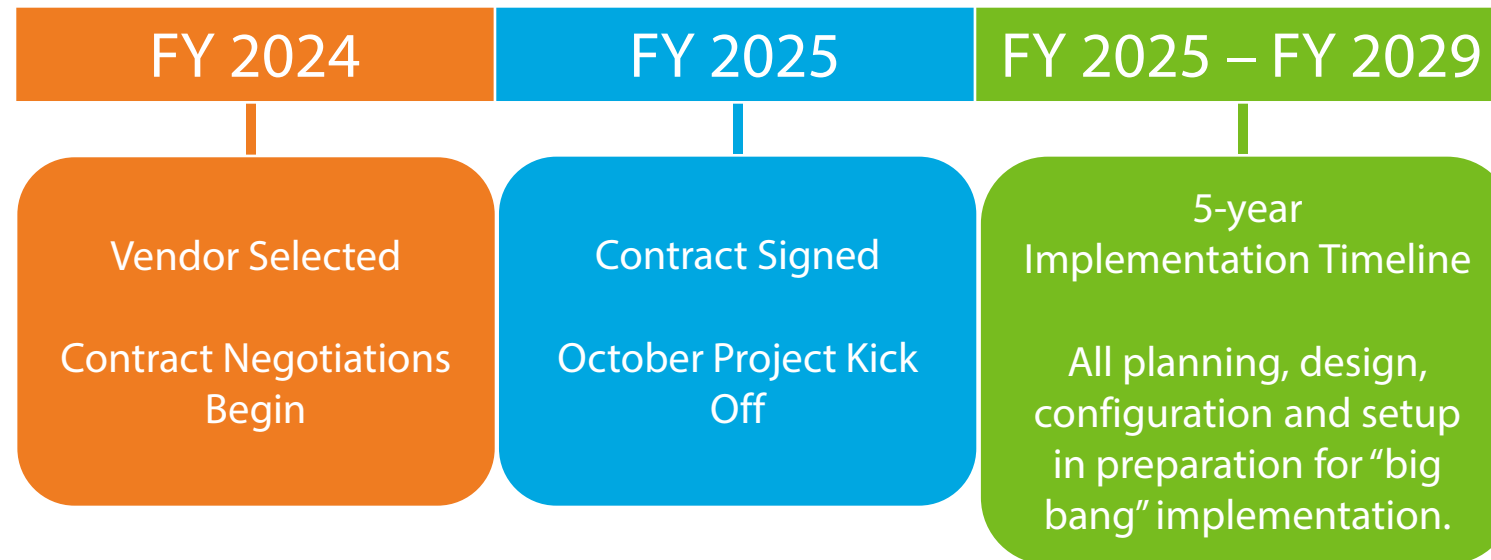


Modernization Timeline

Tegrit, headquartered in Livonia, Michigan, selected as pension administration vendor in FY 2024.

Recommended “big bang” implementation of new plan to reduce time and cost associated with multiple iterations.

Estimated implementation timeline is 5 years.



Modernization Budget Request

Modernization expenditures are included in the General Operating budget request.

Most expenditures for modernization are contractual services paid to the vendors working on implementing the new pension administration system.

Modernization expenditures are all from the KPERS Trust Fund.

Modernization Expenditures

	FY 2025 Agency Request	FY 2026 Agency Request
Salaries and Wages	\$1,444,985	\$1,699,286
Contractual Services	\$10,593,116	\$12,413,629
Total	\$12,038,101	\$14,112,915



Questions

