

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FY 2024 – FY 2026 BUDGET SUMMARY

FIG. 1 BUDGET SUMMARY, FY 2024 – FY 2026

	Actual FY 2024	Agency FY 2025	Legislative Budget Committee FY 2025	Agency FY 2026	Legislative Budget Committee FY 2026
EXPENDITURES:					
State Operations*	\$ 74,532,601	\$ 85,755,022	\$ 85,755,022	\$ 92,463,155	\$ 92,463,155
Salaries and Wages	15,855,877	18,700,537	18,700,537	19,419,699	19,419,699
Contractual Services	58,283,660	66,420,535	66,420,535	72,209,506	72,209,506
Commodities	70,679	83,950	83,950	133,950	133,950
Capital Outlay	322,385	550,000	550,000	700,000	700,000
State Aid and Assistance	\$ -	\$ -	\$ -	\$ -	\$ -
Aid to Local Units	-	-	-	-	-
Other Assistance	-	-	-	-	-
Capital Budget and Debt	\$ -	\$ -	\$ -	\$ -	\$ -
Capital Improvements	-	-	-	-	-
Debt Service Principal	-	-	-	-	-
Debt Service Interest	-	-	-	-	-
TOTAL	\$ 74,532,601	\$ 85,755,022	\$ 85,755,022	\$ 92,463,155	\$ 92,463,155
FINANCING:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
KPERS Trust Fund	73,111,435	84,423,623	84,423,623	91,019,314	91,019,314
All Other Funds	1,421,166	1,331,399	1,331,399	1,443,841	1,443,841
TOTAL	\$ 74,532,601	\$ 85,755,022	\$ 85,755,022	\$ 92,463,155	\$ 92,463,155
PERCENTAGE CHANGE:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	18.1 %	15.1 %	-- %	7.8 %	-- %
FTE Positions	99.4	99.4	99.4	99.4	99.4

* Note: Expenditures for debt service interest are reflected under "Capital Budget and Debt."

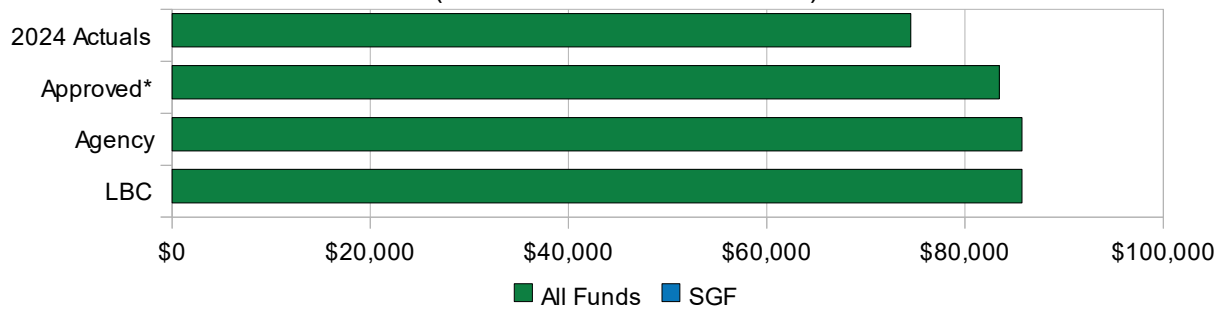
AGENCY OVERVIEW

Pursuant to KSA 74-4901, the purpose of the Kansas Public Employees Retirement System (KPERS) is to "provide an orderly means whereby employees of the participating employers who have attained retirement age as herein set forth may be retired from active service without prejudice and without inflicting a hardship upon the employees retired and to enable such employees to accumulate reserves for themselves and their dependents to provide for old age, death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs." To carry out these duties, KPERS administers three statewide coverage groups:

- **KPERS.** The largest plan, usually referred to as the regular KPERS plan or as KPERS, includes state, school, and local groups composed of regular state and local public employees; school district, vocational school, and community college employees; State Board of Regents classified employees and certain Regents unclassified staff with pre-1962 service; and state correctional officers.
- **Kansas Police and Firemen's Retirement System (KP&F).** The second plan, known as the KP&F Retirement System, is for certain designated state and local public safety employees.
- **Kansas Retirement System for Judges.** The third plan, known as the Kansas Retirement System for Judges, is for the state judicial system's judges and justices.

FY 2025 ANALYSIS

FIG. 2 **BUDGET HIGHLIGHTS, FY 2025**
(DOLLARS IN THOUSANDS)



* Note: Includes SGF reappropriations.

FIG. 3 **BUDGET COMPARISON, FY 2025**

Fund	2024 Actuals	2025 Approved*	2025 Agency	Agency Change from Previous-Year Actuals		Agency Change from Approved*	
SGF	\$ -	\$ -	\$ -	\$ -	-- %	\$ -	-- %
All Other Funds	74,532,601	83,467,952	85,755,022	11,222,421	15.1	2,287,070	2.7
TOTAL	\$ 74,532,601	\$ 83,467,952	\$ 85,755,022	\$ 11,222,421	15.1 %	\$ 2,287,070	2.7 %

* Note: Includes SGF reappropriations.

BUDGET ANALYSIS

FIG. 4 **SUMMARY OF BUDGET REQUEST, FY 2025**

	Agency			Legislative Budget Committee		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Approved, FY 2025	\$ -	\$ 83,467,952	99.4	\$ -	\$ 83,467,952	99.4
2024 SB 28 & HB 2551	-	83,467,952	99.4	-	83,467,952	99.4
1. SGF Reappropriation	-	-	-	-	-	-
Supplemental Requests	\$ -	\$ -	-	\$ -	\$ -	-
2. No Supplemental Requests	-	-	-	-	-	-
Other Changes	\$ -	\$ 2,287,070	-	\$ -	\$ 2,287,070	-
3. Trust Fund Management	-	2,023,893	-	-	2,023,893	-
4. TUP Fund Administration	-	250,090	-	-	250,090	-
5. All Other Adjustments	-	13,087	-	-	13,087	-
TOTAL	\$ -	\$ 85,755,022	99.4	\$ -	\$ 85,755,022	99.4

1. SGF REAPPROPRIATION

The agency does not have any SGF to reappropriate from FY 2024 into FY 2025.

2. SUPPLEMENTAL REQUESTS

The revised estimate does not include any supplemental requests in FY 2025.

3. TRUST FUND MANAGEMENT

KSA 74-4921 authorizes the KPERS Board of Trustees to contract with investment management firms to manage KPERS Trust Fund assets, with portfolio mandates within each firm's area of expertise. Investment-related expenses are built into the agency budget each year, including management fees for real estate, publicly traded securities, custodial bank services, and investment consulting.

Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2024, by an actuarial rate of return assumption—currently 7.0

percent. Management fee estimates are regularly updated to reflect investment experience and performance.

The revised estimate raises management fee estimates from the \$49.8 million approved by the 2024 Legislature to \$51.8 million in FY 2025. These expenses include both management fees (\$1.9 million) and operational expenditures related to investment activities (\$154,292), such as salaries and wages for investment professionals at the agency (\$104,292).

- **Agency:** Add \$2.0 million, all from the KPERS Trust Fund, for investment-related expenses in FY 2025.
- **LBC:** No changes.

4. TREASURER'S UNCLAIMED PROPERTY (TUP) FUND ADMINISTRATION

KSA 75-2263 authorizes the State Treasurer to transfer idle fund balances equivalent to the net amount of unclaimed property received by the State each year to KPERS for long-term investment. Among other provisions, 2024 HB 2577 amended that authority to allow the State Treasurer to determine the amount of unclaimed property receipts available for long-term investment.

From 2017 to 2023, yearly appropriations bills have included language prohibiting the transfer of money from excess unclaimed property receipts to the Treasurer's Unclaimed Property (TUP) Fund. This provision was not included in any bill passed during the 2024 Session, and the TUP program will resume beginning in FY 2025.

The revised estimate includes \$250,090, all from the Non-Retirement Administrative Fund, for administrative costs (\$50,000) and investment-related expenses (\$200,090) for the TUP program in FY 2025.

- **Agency:** Add \$250,090, all from the Non-Retirement Administrative Fund, for administrative costs and investment-related expenses for the TUP program in FY 2025.
- **LBC:** No changes.

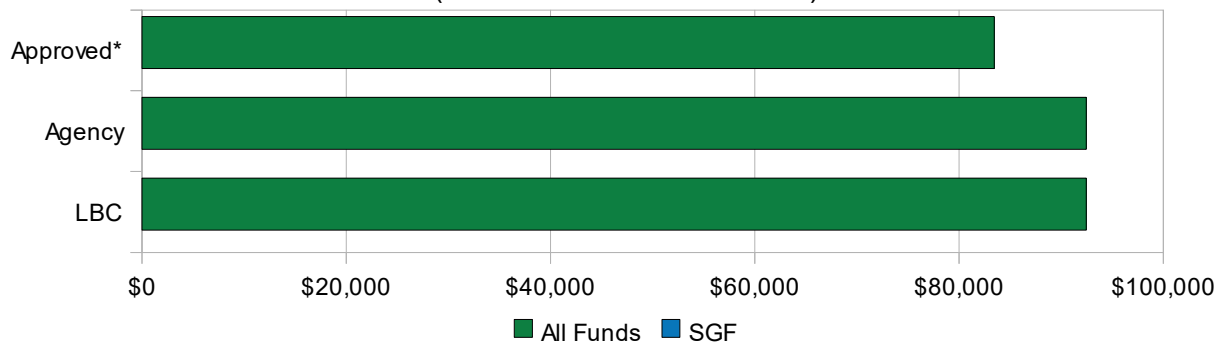
5. ALL OTHER ADJUSTMENTS

The revised estimate includes an increase of \$13,087, from the Deferred Compensation Fee Fund and the Group Insurance Reserve Fund, for other operational expenditures in FY 2025. The majority of these adjustments are due to higher spending on regular and temporary employee pay (\$547,450), employer contributions for group health insurance (\$161,599), employer contributions for public employees retirement (\$86,933), and printing and advertising costs (\$20,000). These upward adjustments are offset by lower spending on computer programming and support expenses for the continued modernization of the Pension Administration System (\$678,911).

- **Agency:** Add \$13,087, all from special revenue funds, for operating expenditure adjustments in FY 2025.
- **LBC:** No changes.

FY 2026 ANALYSIS

FIG. 5 **BUDGET HIGHLIGHTS, FY 2026**
(DOLLARS IN THOUSANDS)



* Note: Reflects legislative-approved expenditures for FY 2025, excluding reappropriations.

FIG. 6 **BUDGET HIGHLIGHT CHANGES, FY 2026**

Fund	2025 Agency	2025 Approved*	2026 Agency	Agency Change from Previous-Year Agency		Agency Change from Approved*	
SGF	\$ -	\$ -	\$ -	\$ -	-- %	\$ -	-- %
All Other Funds	85,755,022	83,467,952	92,463,155	6,708,133	7.8	8,995,203	10.8
TOTAL	\$ 85,755,022	\$ 83,467,952	\$ 92,463,155	\$ 6,708,133	7.8 %	\$ 8,995,203	10.8 %

* Note: Reflects legislative-approved expenditures for FY 2025, excluding reappropriations.

BUDGET ANALYSIS

FIG. 7 **SUMMARY OF BUDGET REQUEST, FY 2026**

	Agency			Legislative Budget Committee		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Approved, FY 2025	\$ -	\$ 83,467,952	99.4	\$ -	\$ 83,467,952	99.4
2024 SB 28 & HB 2551	-	83,467,952	99.4	-	83,467,952	99.4
Enhancement Requests	\$ -	\$ -	-	\$ -	\$ -	-
1. No Enhancement Requests	-	-	-	-	-	-
Other Changes	\$ -	\$ 8,995,203	-	\$ -	\$ 8,995,203	-
2. Trust Fund Management	-	3,420,891	-	-	3,420,891	-
3. PAS Modernization	-	2,050,412	-	-	2,050,412	-
4. TUP Administration	-	349,684	-	-	349,684	-
5. All Other Adjustments	-	3,174,216	-	-	3,174,216	-
TOTAL	\$ -	\$ 92,463,155	99.4	\$ -	\$ 92,463,155	99.4

1. ENHANCEMENT REQUESTS

The agency's request did not include any enhancement requests.

2. TRUST FUND MANAGEMENT

KSA 74-4921 authorizes the KPERS Board of Trustees to contract with investment management firms to manage KPERS Trust Fund assets, with portfolio mandates within each firm's area of expertise. Investment-related expenses are built into the agency budget each year, including management fees for real estate, publicly traded securities, custodial bank services, and investment consulting.

Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2024, by an actuarial rate of return assumption—currently 7.0 percent. Management fee estimates are regularly updated to reflect investment experience and performance.

The agency's request raises management fee estimates from the \$49.8 million approved by the 2024 Legislature to \$53.2 million for FY 2026.

- **Agency:** Add \$3.4 million, all from the KPERS Trust Fund, for investment-related expenses for FY 2026.
- **LBC:** No changes.

3. PENSION ADMINISTRATION SYSTEM (PAS) MODERNIZATION

KPERS maintains a pension administration software application that provides the functionality needed to collect data and moneys from employers and to process and pay benefits. KPERS partnered with Sagitec Solutions to implement the current software system, which has been in continuous use since 2005. Furthermore, the application often requires additional customization whenever plan designs change, such as implementing solutions for business processes, and whenever there are external changes, such as legislative actions. Significant plan design changes include the creation of KPERS 2 in 2007 and KPERS 3 in 2012, which required moving to pay period reporting for employee and employer contributions.

From 2020 to 2023, KPERS engaged in an internal review and, subsequently, a request for proposal (RFP) process to repair or replace the existing application. The Kansas Information Technology Office (KITO) approved the RFP in May 2023. In 2024, KPERS selected, and negotiated terms with, Tegrit Software Ventures to use their Arrivos pension platform. The project has a five-year time frame with a total cost of \$74.9 million to implement.

The agency's request includes \$14.1 million in expenses for this project for FY 2026, which is \$2.1 million above the amount approved by the 2024 Legislature in FY 2025.

- **Agency:** Add \$2.1 million, all from the KPERS Trust Fund, for expenses related to the pension administration system modernization project for FY 2026.
- **LBC:** No changes.

4. TREASURER'S UNCLAIMED PROPERTY (TUP) FUND ADMINISTRATION

KSA 75-2263 authorizes the State Treasurer to transfer idle fund balances equivalent to the net amount of unclaimed property received by the State each year to KPERS for long-term investment. Among other provisions, 2024 HB 2577 amended that authority to allow the State Treasurer to determine the amount of unclaimed property receipts available for long-term investment.

From 2017 to 2023, yearly appropriations bills have included language prohibiting the transfer of money from excess unclaimed property receipts to the Treasurer's Unclaimed Property (TUP) Fund. This provision was not included in any bill passed during the 2024 Session, and the TUP program will resume beginning in FY 2025.

The agency's request includes \$349,684, all from the Non-Retirement Administrative Fund, for administrative costs (\$100,000) and investment-related expenses (\$249,684) for the TUP program in FY 2025.

- **Agency:** Add \$349,684, all from the Non-Retirement Administrative Fund, for administrative costs and investment-related expenses for the Treasurer's Unclaimed

Property program for FY 2026.

- **LBC:** No changes.

5. ALL OTHER ADJUSTMENTS

The agency's request includes an increase of \$3.2 million, all from special revenue funds, for other operational expenditures for FY 2026. The majority of these adjustments are due to a variety of professional service fees (\$1.9 million), which range from legal representation and counsel to building utilities costs to maintenance for a disaster recovery hot site. The request also includes additional spending on repairing and servicing computer systems, building management, and janitorial services (\$800,000). Beginning in FY 2025, KPERS began occupying a portion of the third floor of its offices at 611 Kansas Ave.

- **Agency:** Add \$3.2 million, all from special revenue funds, for operating expenditure adjustments for FY 2026.
- **LBC:** No changes.

REFERENCE TABLES

FIG. 8 **10-YEAR EXPENDITURE HISTORY, FY 2017 – FY 2026**

Fiscal Year	SGF	Change	All Funds	Change	FTE	CPI-U Change**
FY 2017	\$ -	-- %	\$ 47,276,464	(5.3) %	98.4	0.0 %
FY 2018	-	--	46,908,669	(0.8)	98.4	0.2
FY 2019	-	--	50,067,565	6.7	98.4	0.0
FY 2020	-	--	48,525,570	(3.1)	98.4	0.8
FY 2021	-	--	50,685,802	4.5	98.4	2.4
FY 2022	-	--	59,815,495	18.0	98.4	9.2
FY 2023	-	--	63,100,878	5.5	98.4	5.8
FY 2024	-	--	74,532,601	18.1	99.4	3.0
FY 2025 Agency	-	--	85,755,022	15.1	99.4	2.5
FY 2026 Agency	-	--	92,463,155	7.8	99.4	2.4
10-Yr. Chg. (FY 2017– 2026) \$	-	-- %	\$ 45,186,691	95.6 %	1.0	33.4 %
3-Yr. Avg. (FY 2022– 2024)*	-		65,816,325		98.7	

* Note: Reflects three most recent years of actuals data.

** Note: Consumer Price Index – All Urban Consumers estimate for FY 2025 and FY 2026 is from the Consensus Revenue Estimating Group.

FIG. 9 **EXPENDITURES BY PROGRAM, FY 2024 – FY 2026**

Program	Actual FY 2024	Agency FY 2025	LBC FY 2025	Agency FY 2026	LBC FY 2026
Administration	\$ 25,637,999	\$ 32,628,833	\$ 32,628,833	\$ 37,827,526	\$ 37,827,526
Investment-Related Costs	48,047,427	52,707,496	52,707,496	54,213,367	54,213,367
Public Employee Benefits	847,175	418,693	418,693	422,262	422,262
TOTAL	\$ 74,532,601	\$ 85,755,022	\$ 85,755,022	\$ 92,463,155	\$ 92,463,155

FIG. 10 **FTE POSITIONS BY PROGRAM, FY 2024 – FY 2026**

Program	Actual FY 2024	Agency FY 2025	LBC FY 2025	Agency FY 2026	LBC FY 2026
Administration	84.1	84.1	84.1	84.1	84.1
Investment-Related Costs	12.0	12.0	12.0	12.0	12.0
Public Employee Benefits	3.3	3.3	3.3	3.3	3.3
TOTAL	99.4	99.4	99.4	99.4	99.4

SPECIAL TOPICS

PENSION ADMINISTRATION SYSTEM MODERNIZATION

The agency maintains a pension administration software application that provides the functionality needed to collect data and moneys from employers and to process and pay benefits. KPERS partnered with Sagitec Solutions (Sagitec) to implement the current software system, which has been in continuous use since 2005. Over the past 15 years, additional system customization has been necessitated by plan design changes, including both internal changes, such as implementing solutions for business processes, and external changes, such as legislative actions. Significant plan design changes include the creation of KPERS 2 in 2007 and KPERS 3 in 2012, which required moving to pay period reporting for employee and employer contributions.

BACKGROUND

In 2020, KPERS engaged in a request for proposal (RFP) for a complete business assessment of KPERS and the current pension administration system, which was completed by The Segal Group (Segal). Part of Segal's assessment was to determine whether KPERS needed to invest in a completely new pension administration system or whether the existing vendor, Sagitec, could meet the future needs of the system. KPERS determined that Sagitec had the capacity to continue supporting the current system, but, at Segal's recommendation, asked that Sagitec complete a proof-of-concept project to demonstrate whether they could execute the modernization features KPERS requires.

In 2021, Sagitec completed the proof-of-concept project. At that time, KPERS elected to retain Sagitec as a project vendor. Due to the extensive customization of the base system, KPERS decided the new pension administration system would be based on a new platform using Sagitec's application, Neospin. External data would have been migrated to a new database and the base application would be customized to meet project requirements.

In 2022, after assessing the existing state of the system, KPERS initially determined it could adopt an upgrade-in-place approach with Sagitec. However, as the year progressed, KPERS determined Sagitec was unable to meet its expectations for a successful process. Additionally, KPERS indicates budget estimates had increased to a point where it made more sense to go to the market to assess the cost of a full replacement.

In 2023, KPERS initiated the RFP process for a replacement and worked with Segal to determine more than 3,000 requirements for the proposal. The RFP was submitted to the Kansas Information Technology Office, which approved the proposal in May 2023. KPERS received two qualified candidates for the proposal, underwent a review process, and participated in product demonstrations.

In 2024, the Board negotiated contract terms with Tegrit Software Ventures and their Arrivos pension platform. The project has a five-year time frame with a total cost of \$74.0 million to implement. The project is expected to kick off in October 2024.

FINANCING

KPERS anticipates modernization expenditures totaling \$12.1 million in FY 2025 and \$14.1 million for FY 2026, all financed from the KPERS Trust Fund. This revised estimate is \$24,000 less than the amount approved by the 2024 Legislature for FY 2025.