

MEMORANDUM

To: Joint Committee on Pensions, Investments, and Benefits
From: Alan D. Conroy, ^{A.D.C.} Executive Director
Date: December 19, 2014
Subject: Actuarially Required Contribution Rates/Statutory Contribution Rates

The Joint Committee requested additional information regarding the statutory employer contribution rates and actuarially required contribution rates for the State/School, Local, KP&F and Judges groups.

An actuarial valuation is completed for all KPERS groups annually on a calendar year basis. The actuarially required contribution (ARC) rate is calculated as part of the annual valuation. Because of the timing of the valuation report and state budget cycle, ARC rates apply to the fiscal years that begin 3 years after the valuation. For example, the ARC rates calculated by the 12/31/2013 valuation apply to the fiscal year *beginning* in 2016, which for the state is FY 2017.

KP&F and Judges employers contribute the full ARC rate by statute. The State/School and Local groups have a statutory cap on the annual increases in the employer contribution rate. Currently, both groups are contributing less than the ARC rate due to the caps. However, the Local group reached the ARC rate in the 12/31/2012 valuation, which will apply starting 1/1/2015.

The State/School group has not reached the ARC rate as of the most recent actuarial valuation. Based on projections of future funding, the State/School group will reach the ARC rate in FY 2019 (as determined by the 12/31/2015 valuation). That projection is based on meeting all actuarial assumptions in the future, including the 8 percent investment return assumption. Any actual experience that deviates from the actuarial assumptions will change the ARC rate and could delay or advance the date when the State/School group reaches the full ARC rate.

Attached is a table that shows actual and projected ARC and statutory contribution rates for the State/School, Local, KP&F and Judges groups.

Attachments.



Actual and Projected Employer Contribution Rates

Actuarially Required Contribution (ARC) Rates and Statutory Rates

Valuation Date	Applies in Fiscal Year Beginning In	State/School		Local		KP&F		Judges	
		ARC Rate	Statutory Rate	ARC Rate	Statutory Rate	ARC Rate	Statutory Rate	ARC Rate	Statutory Rate
12/31/2012	2015	14.95%	12.37%	9.48%	9.48%	21.36%	21.36%	23.98%	23.98%
12/31/2013	2016	14.85%	13.57%	9.20%	9.20%	20.42%	20.42%	21.36%	21.36%
12/31/2014	2017	14.79%	14.77%	8.97%	8.97%	19.52%	19.52%	19.57%	19.57%
12/31/2015	2018	14.83%	14.83%	8.73%	8.73%	18.91%	18.91%	18.13%	18.13%
12/31/2016	2019	14.51%	14.51%	8.29%	8.29%	17.94%	17.94%	16.06%	16.06%

Projected contribution rates assume that all actuarial assumptions will be met in the future, including the 8% investment return assumption. To the extent that these assumptions are not met in the future, the projected employer contribution rates will change.

Actual
Projected