

MEMORANDUM

TO: House Committee on Pensions and Benefits

FROM: Shawn Sullivan, Director of the Budget 

DATE: January 21, 2015

SUBJECT: Governor's KPERS Priorities

Thank you for the opportunity to speak this morning about the Governor's priorities on the KPERS system. As you know, great strides have been made in the last few years to structurally reform and better fund the KPERS system. As part of the 2015 allotment plan announced last week, the KPERS employer contribution rate was rolled back to the fiscal year 2012 level. This was a short-term move and one that was not carried forward into the Governor's Fiscal Year 2016 and 2017 budget proposal.

The Governor's Fiscal Year 2016 and 2017 proposal includes two structural and policy reforms to the KPERS system. First, the Governor recommends issuing bonds in the amount of \$1.5 billion and using the proceeds to reduce the unfunded liability and reduce the employer contribution rate. Second, the rates would be reduced further by extending the amortization period of the unfunded actuarial liability (UAL) an additional ten years from FY 2033 to FY 2043. The combination of the two changes could create savings of approximately \$39 million in FY 2016 and \$92 million in FY 2017 after the debt service for the bonds is paid.

The Governor would also be supportive of the study and discussion of additional reforms that would include a design change and emerging trends in the private sector such as annuitization. We look forward to working with the Legislature to ensure that the possible changes create the proper balance between a competitive and sustainable pension system for State employees and Kansas taxpayers.