

MEMORANDUM

To: Senate Select Committee on KPERS

From: Alan D. Conroy, Executive Director

Date: January 30, 2015

Subject: Actuarial Cost Studies

In advance of the Committee's discussion on bonding and re-amortization at the February 2nd Committee meeting, attached to this memo are four cost studies looking at various scenarios utilizing bonds or a combination of bonds and reamortization.

The cost studies compare the projected changes against current law and incorporate some assumptions used in the FY 2015, FY 2016 and FY 2017 budgets. Those assumptions are:

- The Governor's FY 2015 allotment setting the contribution rate at 8.65% for the last 6 months of the fiscal year;
- A FY 2016 rate of 9.69%, which reflects the savings included in the Governor's budget recommendation based on \$1.5 billion in bonds and adding 10 years to the amortization schedule; and
- A FY 2017 rate of 9.59%, which reflects the savings included in the Governor's budget recommendation based on \$1.5 billion in bonds and adding 10 years to the amortization schedule.

The four cost studies consist of projecting the effects of:

- The addition of \$1.0 billion in bond proceeds;
- The addition of \$1.0 billion in bond proceeds and a 10-year extension of the amortization period;
- The addition of \$1.5 billion in bond proceeds; and
- The addition of \$1.5 billion in bond proceeds and a 10-year extension of the amortization period.

A summary of key metrics in the results of the cost studies is included in Attachment A.

I will be happy to respond further to any questions the Committee may have.

Attachments

Comparison of Key Cost Study Metrics

	Current Law	\$1.0 billion bond	\$1.0 billion bond and reamortization	\$1.5 billion bond	\$1.5 billion bond and reamortization
Maximum contribution rate	14.83% in FY 2019	13.37% in FY 2027	10.48% in FY 2018	12.07% in FY 2020	9.88% in FY 2018
FY 2018 contribution rate	14.77%	10.79%	10.48%	10.79%	9.88%
FY 2019 contribution rate	14.83%	11.99%	10.31%	11.99%	9.63%
Year ARC rate is reached	FY 2019	FY 2020	FY 2018	FY 2020	FY 2018
Year funded ratio reaches 80%	2025	2025	2031	2023	2029
Total contributions through 2046 (nominal dollars)	\$16,369.78	\$15,172.53	\$20,900.61	\$13,998.28	\$20,108.02
Difference in total contributions through 2046 (nominal dollars)	-	\$(1,197.25)	\$4,530.83	\$(2,371.51)	\$3,738.23
Difference in total contributions through 2046 (present value)	-	\$(1,062.83)	\$(987.92)	\$(1,583.52)	\$(1,406.60)