

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 421

As Recommended by Senate Committee on
Ways and Means

Brief*

SB 421 would transfer \$253.9 million from the State General Fund (SGF) directly to the Kansas Public Employees System (KPERs) Trust Fund to pay off outstanding accounts receivable for KPERs-School employer contributions withheld in FY 2017 and FY 2019. The bill would remove language regarding amounts to be repaid. The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Claeys.

The 2016 Legislature approved the delay of employer contributions from the KPERs-School group in FY 2017 and FY 2019. To keep the retirement system whole, the Legislature authorized statutory layering payments, financed at the KPERs assumed rate of return of 7.75 percent, for 20 years for each of the missed payments, totaling \$25.3 million from SGF annually. At the end of FY 2022, the outstanding balance of those payments is expected to total \$253.9 million.

Senate Committee on Ways and Means

In the Senate Committee hearing on February 9, 2022, a representative of KPERs testified as a **proponent**, indicating delayed contributions totaled \$64 million in FY 2017 and \$194

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

million in FY 2019. The representative stated payments on FY 2017 missed contributions total \$6.4 million per year for 20 years beginning in FY 2018 and payments on FY 2019 missed contributions total \$19.4 million per year for 20 years beginning in FY 2020. The representative noted enactment of the bill would not change the assets, liability, or contribution rates determined in the annual actuarial valuation because the delayed contributions are assumed to be statutorily scheduled.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, enactment of the bill would incur an immediate transfer of \$253.9 million from SGF to the KPERS Trust Fund. Paying off the layering payments before the final maturity date would save the state approximately \$171.9 million SGF in interest payments and eliminate \$25.8 million in annual payments. The transfer is included in *The FY 2023 Governor's Budget Report*.