Dear Chairman Johnson,

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> I wanted to follow up on our conversation regarding the state issuing bonds to help meet the funding needs of KPERS as well as continuing to meet the general fund obligations. As we all know the KPERS system does not have enough assets to meet the retirement obligations because over the last 20 years the retirement benefits were accruing at a larger rate than the amount of funding. The largest amount of the unfunded obligation is for retirement benefits for the state employees and the local school employees.

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> I am a supporter of the state issuing bonds for these obligations. Normally, I would prefer not to borrow money; however the state already has an obligation to pay the retirement benefits that have been earned as well as meeting its annual budget needs. We need to have payment options that put the least burden on the taxpayers. In the current interest rate environment, issuing bonds would be a low cost alternative for the state to meet these obligations.

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> The Kansas Development Finance Authority is probably the best source to finalize the terms of the bonds. They have more knowledge about other bonding needs and about the best terms as far as dollar amount and length of the loan. Some of the terms I have heard are a range of $1.5 Billion to $2 Billon borrowed and length of term for either 20 or 30 years. I believe either dollar amount would be advantageous for the state. Also there is some discussion that these could be tax exempt bonds which would make the cost even more advantageous than taxable bonds.

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> Please share these comments with your committee if you believe they are relevant to your committee deliberation.

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> Sincerely,
> Kansas State Treasurer Ron Estes

Pensions and Benefits Committee
Date: 3-21-13
Attachment: 1