

# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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**To:** Joint Committee on Pensions, Investments and Benefits

**From:** Amit Patel, Fiscal Analyst

**Re:** State General Fund Transfers to KPERS Trust Fund

The 2018 Legislature approved a transfer of \$82.0 million from the State General Fund (SGF) to the KPERS Trust Fund for FY 2019 which reduced the unfunded actuarial liability. Additionally, the Legislature approved a transfer of up to \$56.0 million to be made if actual receipts at the end of FY 2018 and FY 2019 exceed projected receipts from the April consensus revenue estimates. At the end of FY 2018, total receipts to the SGF were \$323.3 million above the final adjusted estimate (which included effects of any legislation enacted after the April 20 consensus revenue estimate). The first transfer of \$56.0 million was made on June 30, 2018.

Although the combination of transfers approved by the 2018 Legislature would equal the \$194.0 million delayed by the FY 2017 Legislature for FY 2019, the amortized repayment over 20 years (layering payment) remains intact. The transfer did not eliminate or reduce the requirement to make layering payments. The Legislature also did not recommend reamortization of the unfunded actuarial liability or reductions in the contribution rate.

The 2017 Legislature delayed KPERS school employer contributions by \$194.0 million for FY 2019, to be amortized and repaid at a level dollar amount of \$19.4 million over 20 years starting in FY 2020. The 2017 Legislature also delayed KPERS school employer contributions for FY 2017 by \$64.1 million to be amortized and repaid at a level dollar amount of \$6.4 million over 20 years starting in FY 2018. For both repayments, the amounts include interest at 7.75 percent. In 2017, the KPERS Board reduced the expected investment return from 8.0 percent annually to 7.75 percent beginning in FY 2018.

The 2016 Legislature provided the Governor with enhanced allotment authority allowing for the reduction of FY 2016 employer contributions to KPERS, which resulted in \$97.4 million in previously-approved state-school employer contributions to be delayed. The 2017 Legislature deleted payment of the FY 2016 state-school employer contributions originally scheduled for payment by June 30, 2018, and the unpaid employer contributions were added to the unfunded actuarial liability. KPERS continues to consider this payment as an asset to the KPERS Trust Fund, and it is reflected as such in the unfunded actuarial liability.

ADP/kal