KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017 Session

Senate Bill 161 (As Introduced)

Summary	SB 161, as it pertains to KPERS, would amend K.S.A. 2016 Supp. 75-3722 by removing language that exempts FY 2017 KPERS employer contributions from the allotment powers of the Secretary of Administration.
Sponsor:	Senate Committee on Ways and Means
Location:	Senate Committee on Ways and Means
Cost:	**Administrative Costs:** SB 161 does not require any additional administrative duties of KPERS. Administrative costs that may arise from the current version of the bill can be funded within existing resources. **Long-Term Funding Costs:** SB 161 would subject FY 2017 state and school employer contributions to reduction through the statutory allotment process in K.S.A. 75-3722. Reductions to FY 2017 employer contributions directly reduce the funding received by the Trust Fund in FY 2017 and also reduce the funds available for investment and assumed growth over time. Generally, making lower contributions today requires higher contributions in the future in order to fully fund the System. Currently, the statutory KPERS State/School employer contribution rate is lower than the Actuarial Required Contribution rate. This means that the employer contributions received are not covering the total cost required to fund member benefits allocated to the contribution year (FY 2017 in this case). Further employer contribution reductions in FY 2017 only makes the gap between the statutory rate and actuarial rate larger in FY 2017, which then makes future contribution requirements even higher. Moreover, significant drops in contribution amounts such as occurred in FY 2016 and as could be contemplated for FY 2017 under SB 161 may adversely affect cash flow and, as a result, the System's long-term investment strategy and asset allocation. The KPERS Board of Trustees has already increased its allocation to cash and liquid assets by 1% in March 2016 and an additional 1% in January of this year in light of the FY 2016 allotment and the Governor's proposed FY 2017 reduction in KPERS employer contributions. Such shifts in asset allocation may negatively affect KPERS' returns and ability to meet its current 7.75% investment return assumption, posing additional challenges to sustainable funding of the System.
Notes:	*Reductions to KPERS employer contributions for the state and school groups in FY 2017 were enacted under HB 2052, rather than through the existing statutory allotment process.*

KPERS