



Governor's Budget Proposal Creates \$600 Million Shortfall

- **Current retirees (and those thinking about retiring) are not affected.**
- Employee contributions are not affected. They are fixed by statute.

In response to State of Kansas budget difficulties, the Governor has proposed reducing State/School employer contributions to KPERS totaling \$600 million over the next three years and taking longer to pay KPERS' existing unfunded actuarial liability.

Last fiscal year, the State delayed its fourth quarter payment for School employer contributions with a promise to pay it in Fiscal Year 2018 with interest. The Governor is recommending the State not pay this contribution and skip one quarterly payment each year through FY19. In addition, the Governor recommends extending the time to pay down KPERS' existing unfunded actuarial liability by 10 years.

As with most long-term debts, what the State doesn't pay now will cost more later. The reduced contribution amounts and extending the payments on the unfunded actuarial liability will cost the State an estimated \$6.5 billion over the long-term.

The effect on members

This **does not affect benefits** for current retirees, or even those thinking about retiring. KPERS has \$17 billion in assets to pay benefits for many years. This is a long-term funding issue.

The effect on funding

- The State/School's employer contribution rate will eventually settle at around 13% through FY 2045.
- KPERS' funded ratio will stay in the 60% "cautionary" range for many more years.
- KPERS' unfunded ratio is projected to increase by about \$1.3 billion.
- It will take 20 years to return to the current unfunded level of \$8.5 billion.

What's next

We are at the beginning of the legislative session. And budget legislation will wind its way through the usual process. The Governor's proposal is a starting point for discussion. We'll keep you posted as things affecting KPERS develop in the months to come.

The State's recent \$1 billion pension obligation bond was a significant step in the right direction. But it's consistent and full employer contributions over time that will make the most difference for a sound and sustainable retirement system.

Projected KPERS Employer Contributions

