



February 2, 2021

The Honorable Laura Kelly  
Governor of Kansas  
Suite 241-South  
State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, Kansas 66612

The Honorable Ty Masterson  
President of the Senate  
332-East  
State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612

The Honorable Ron Ryckman  
Speaker of the House  
370-West  
State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612

The Honorable Dinah Sykes  
Senate Minority Leader  
318-East  
State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612

The Honorable Tom Sawyer  
House Minority Leader  
359-West  
State Capitol Building  
300 SW 10<sup>th</sup> Street  
Topeka, KS 66612

Dear Esteemed Leaders:

As fiduciaries, it has been the Kansas Public Employees Retirement System's objective over the years to foster a consensus among the Legislature, Governor, and the KPERs Board of Trustees on a comprehensive funding plan to ensure the Retirement System's long-term financial health. Kansas Legislatures and Governors since 2003 have worked to balance KPERs' funding requirements with other competing budget priorities. During that time, there have been both setbacks and progress with KPERs' overall funding position. Because of that progress, our funded ratio is now 70%, an increase of 13.6% since 2012.

For the first time in decades, the System received the full actuarial contribution amounts in FY 2019 and FY 2020 thanks to additional contributions approved by the Legislature and the Governor. In addition, the State is on pace to contribute the full actuarially required rate in FY 2021 for the first time in 25 years and is currently scheduled to remain at the required contribution in FY 2022. Members and local government employers have continued to meet their obligations for years. It is consistency and full employer contributions within the current funding plan that will make the most difference in the Retirement System's long-term soundness and sustainability.

The health of the plan is fundamental to KPERs' mission of providing promised benefits to all members and beneficiaries. In FY 2020, KPERs paid more than \$1.8 billion in benefits to our members. Nearly 90% of those payments stayed in Kansas.

KPERs' current long-term funding plan has Kansas on a path to extinguish its legacy unfunded actuarial liability in 2033. We are over 27 years into the original 40-year amortization period,

with fewer than 13 years remaining. While 2033 is not tomorrow, it is within striking distance.

Based on our understanding of the current budget proposal, the largest portion of the unfunded actuarial liability is recommended to be reamortized by extending the amortization period by 10 years to 2043 and eliminating the remaining payments on missed employer contributions from FY 2017 and FY 2019. These changes to the funding plan impede funding progress leaving KPERS in a more vulnerable funding position for years and costing the State an estimated \$4.6 billion in additional employer contributions over time.

Amortization policy has been a delegated authority of the Board since 2004. The Board decided in January 2020 to maintain the current funding schedule as the soundest option for meeting the commitment made to our members.

We will revisit reamortization again with the next statutorily required actuarial triennial experience study scheduled for next year. Actuarial best practices recommend beginning to consider reamortization sometime within the last 15 to 10 years of the amortization period. However, that best practice is contingent upon a sound funding position, which is generally considered to be at least 80% funded on the way to 100%. The Retirement System is now within that timeframe, but at 70% funded, we are not yet in a sound funding position.

As a fiduciary, our focus is on investing and safeguarding the funds in our care for the sole purpose of providing benefits for our members and their beneficiaries. For this reason, the KPERS Board strongly supports any funding action that improves the System's funded ratio and lowers the legacy unfunded actuarial liability.

The Board of Trustees believes the State of Kansas should continue its progress on the current path to financial soundness as we work together with all of you to provide the benefits that our Kansas public servants have earned. Thank you for your partnership in this endeavor.

Sincerely,



Suresh Ramamurthi  
Chairperson  
Board of Trustees

cc: Will Lawrence, Chief of Staff, Office of the Governor  
Timothy Graham, Director of Governmental Affairs, Office of the Governor  
Chase Blasi, Chief of Operations, Office of the Senate President  
Paje Resner, Chief of Staff, Office of the Speaker of the House  
Cory Sheedy, Chief of Staff, Office of the Senate Minority Leader  
Joseph Le, Chief of Staff, Office of the House Minority Leader  
Adam Proffitt, Director of the Budget  
Jeff Arpin, Principal Analyst, Division of the Budget  
Gordon Self, Revisor of Statutes  
J.G. Scott, Director, Legislative Research Department