House Bill 2405: Pension Obligation Bonds

Quick Look

HB 2405 authorizes the issuance of bonds to fund a portion of the KPERS School group unfunded actuarial liability.

Hearings

April 21 – Signed by Governor  
April 9 – Conference Committee Report adopted by Senate 32-6 and House 112-10  
April 9 – Placed into Conference Committee  
April 8 – Passed full Senate 32-8  
March 25 – Recommended for passage by Senate Committee

February 24 – Passed House Committee As Amended  
March 4 – Passed Full House 117-6  
February 22 – House Financial Institutions and Pensions

The Fine Print

HB 2405 authorizes the Kansas Development Finance Authority (KDFA) to issue bonds totaling $500 million bond issue if the interest rate is below 4.3%. The bond proceeds are to finance a portion of KPERS’ unfunded actuarial liability.

For the purposes of HB 2405, “unfunded actuarial liability” is defined specifically as the KPERS School group unfunded actuarial liability. However, for funding purposes the State and School group are combined so the bonds would improve the State/School group.

The debt service payment on the bonds would be paid through the Kansas Department of Administration. The KPERS Trust Fund would not be used to pay debt service.

The addition of $500 million to the KPERS School unfunded actuarial liability would immediately improve the funded ratio of the State/School group by 2.3% in the 12/31/2021 actuarial valuation (from 71.9% to 74.2%).

HB 2405 does not change the existing financing plan of the unfunded actuarial liability, so future employer contributions required to reach full funding in 2033 would be lower.

HB 2405 makes no changes to member benefits or member contributions.