State Contributing Additional $1 Billion to Trust Fund

Governor Kelly has signed Senate Bill 421, which provides $1.125 billion in additional contributions to KPERS to improve funding and reduce the cost of employer contributions in the coming years for the State.

The additional employer contributions would specifically help to reduce the KPERS State/School unfunded actuarial liability. This group includes State employees and local school employees. As a result, the State will save $463.5 million in employer contributions over the next five years.

It also improves the estimated KPERS State/School group funded ratio from 77.4% to 84.3%. Pension plans with higher funded ratios generally are better positioned to weather future market downturns.

Next steps and timing
Now that the Governor has signed the bill, the next step is to publish it in the Kansas Register, the official state newspaper published weekly. Once published, the State can transfer the first of the four payments, possibly in May. All four payments are to be paid by December 2022. KPERS will invest the funds according to the current target asset allocation mix.

KPERS’ funding status
For about two decades, KPERS has been facing a long-term funding shortfall, affected by two recessions and underfunded and skipped employer contributions.

Efforts by the Kansas Legislature and Governors in recent years have helped KPERS continue to make incremental progress toward a stronger financial position. Of significance, all employers, including the State, are now making the full, required employer contributions.

KPERS’ overall funded ratio for all plans and groups is currently 72.5%, with an unfunded actuarial liability of $8.5 billion. These do not reflect the additional $1 billion in assets. We are projected to extinguish the legacy unfunded liability in 2033. However, continued funding improvements hinge on meeting our investment return target over time and full, consistent employer contributions year after year.