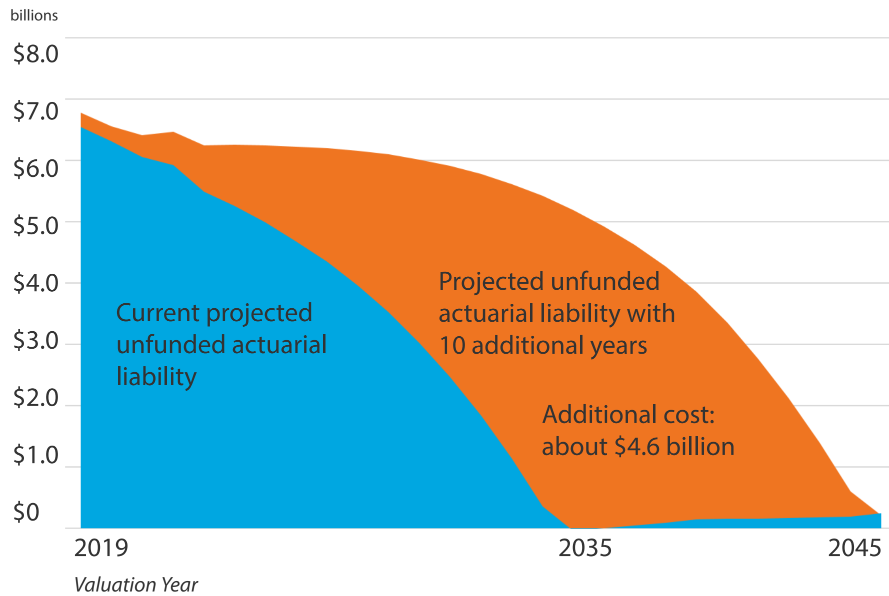
KPERS Funding: Amortization

In 1993, the Kansas Legislature amortized KPERS' unfunded actuarial liability to pay the debt over 40 years, much like making payments on a home mortgage.

Quick Look

- In 2004, the Legislature delegated funding decisions to the KPERS Board of Trustees.
- KPERS' Board reviews all actuarial funding assumptions (including amortization) every three years. The next triennial experience study is scheduled to begin in 2022 and be completed in early 2023.
- Amortization is very common in public pensions.

How Adding 10 Years Affects the Unfunded Actuarial Liability



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Re-amortization generally reduces employer contributions in the short term but increases the long-term cost. A longer amortization period means higher unfunded liabilities and a lower funding position for a longer time, increasing risk for adverse impacts like market downturns.

Since 2016, KPERS has used a layered amortization approach as recommended by actuarial professionals. Each year, changes in the funding status are amortized in a separate layer. Most are amortized over 20 years and each layer has its own calculated payment.

98%

98% of KPERS' amortization is for the "legacy" unfunded liability, the amount that existed in 2015.

This layer has 13 years remaining.

KPERS