KPERS

Budget Legislation and the Effect on KPERS

LEGISLATION

Fiscal Year 2017
The FY17 budget reduced KPERS School employer contributions paid in FY17 by about $64 million. The reduction will be paid over the next 20 years.

Fiscal Years 2018 & 2019
The Legislature then passed the budget bill for FY18 and FY19, and the Governor signed it into law. Over FY17, FY18 and FY19, the State has promised to pay $1.63 billion in State/School employer contributions, the full statutory amount due over the three years. About $258 million ($64 million in FY17 and $194 million in FY19) of that total will be paid by the State over 20 years.

Delayed Payment for Fiscal Year 2016
Last year the State reduced its fourth-quarter FY16 payment for State/School employer contributions with a promise to pay it in FY18 with interest. This missed payment will not be repaid, which increases the State/School unfunded actuarial liability.

EFFECT

Effect on Members
Employer contributions do not affect benefits for current retirees, or even those thinking about retiring. KPERS has over $18 billion in assets to pay benefits for many years. This is a long-term funding issue.

Also, this will not affect employee contribution rates, which are fixed by statute.

Effect on Retirement System
As with most long-term debts, what the State doesn't pay now will cost more later. And underfunding continues to add to the unfunded liability and undermines KPERS' long-term strength, especially if there should be a major market downturn.

The $1 billion pension obligation bond in 2015 was a significant step in the right direction. But it is consistent and full employer contributions over time that will make the most difference in the Retirement System's long-term soundness and sustainability.

7/17/17