

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FY 2023 – FY 2025 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2023 – FY 2025

	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Operating Expenditures:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	63,100,878	73,930,298	73,930,298	82,637,368	82,637,368
<i>Subtotal</i>	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TOTAL	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
Percentage Change:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	5.5 %	17.2 %	17.2 %	11.8 %	11.8 %
FTE Positions	98.4	99.4	99.4	99.4	99.4

Pursuant to KSA 74-4901, the Kansas Public Employees Retirement System (KPERs) is to "provide an orderly means whereby employees of the participating employers who have attained retirement age as herein set forth may be retired from active service without prejudice and without inflicting a hardship upon the employees retired and to enable such employees to accumulate reserves for themselves and their dependents to provide for old age, death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs."

KPERs administers three statewide coverage groups:

- **KPERs.** The largest plan, usually referred to as the regular KPERs plan or as KPERs, includes state, school, and local groups composed of regular state and local public employees; school district, vocational school, and community college employees; Board of Regents classified employees and certain Regents unclassified staff with pre-1962 service; and state correctional officers.
- **Kansas Police and Firemen's Retirement System (KP&F).** A second plan, known as the KP&F Retirement System, is for certain designated state and local public safety employees.
- **Kansas Retirement System for Judges.** A third plan, known as the Kansas Retirement System for Judges, is for the state judicial system's judges and justices.

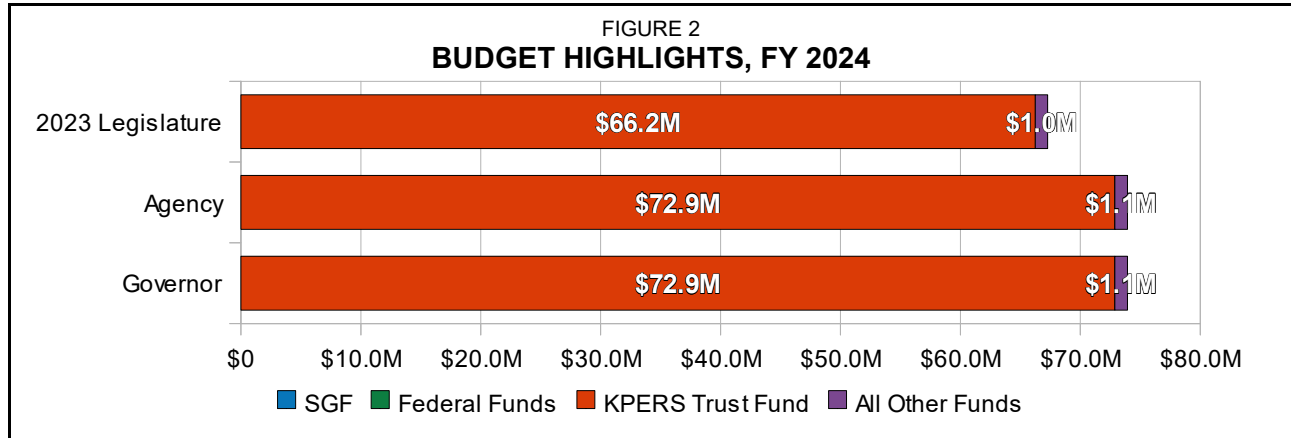
All coverage groups are defined benefit, contributory retirement plans and have most public employees in Kansas as members. KPERs also administers other employee benefit programs, including the State Deferred Compensation program; a public employee death and long-term disability benefits plan; an optional term life insurance program; a Kansas City, Kansas, annuitant program; and a legislative session-only employees retirement program.

KPERs also performs duties beyond the retirement system in managing investments of the Kansas Endowment for Youth Fund.

KPERS is governed by a nine-member Board of Trustees. Four members are appointed by the Governor and confirmed by the Senate, one member is appointed by the President of the Senate, one member is appointed by the Speaker of the House of Representatives, two members are elected by KPERS members, and one member is the State Treasurer. The Board appoints the Executive Director, who administers the agency operations for the Board.

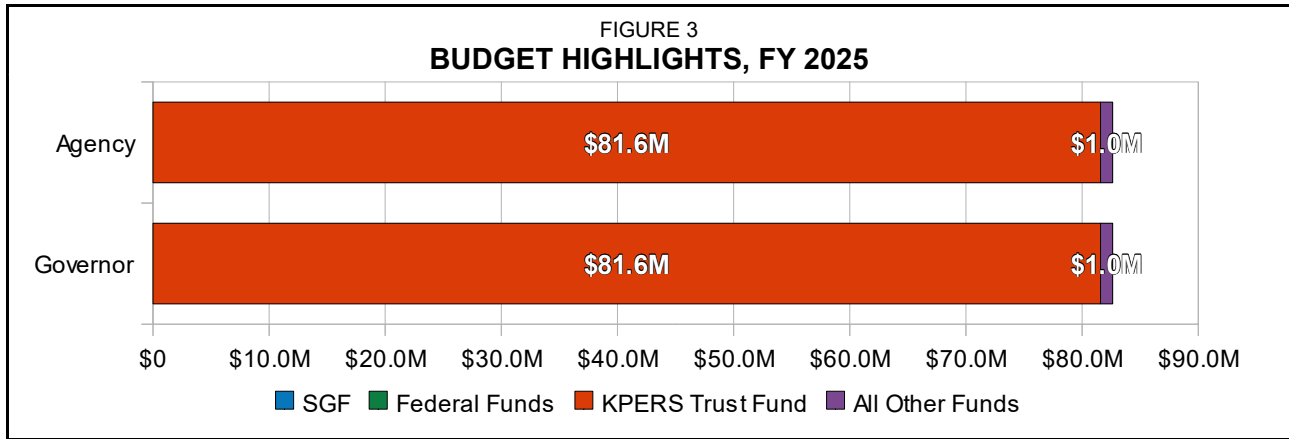
EXECUTIVE SUMMARY

The 2023 Legislature approved a budget of \$67.3 million, including \$66.2 million from the KPERS Trust Fund, for Kansas Public Employees Retirement System agency operations for FY 2024. No adjustments have been subsequently made to that amount.



The **agency** requests a revised estimate of \$73.9 million and 99.4 FTE positions in FY 2024, including \$72.9 million from the KPERS Trust Fund. This represents an increase of \$6.6 million, or 9.9 percent, above the amount approved by the 2023 Legislature. The majority of the increase is attributable to a \$7.1 million increase in expenditures from the KPERS Trust Fund for **external investment management and consultant fees**. This includes management fees for real estate, publicly traded securities, custodial bank services, and investment consulting. Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2023, by an actuarial rate of return assumption. Management fee estimates are regularly updated to reflect investment experience and performance. The revised estimate raises estimates from the \$35.0 million approved by the 2023 Legislature to \$42.3 million in FY 2024, representing 0.167 percent of total assets.

The **Governor** concurs with the agency's revised estimate and recommends \$73.9 million and 99.4 FTE positions in FY 2024, including \$72.9 million from the KPERS Trust Fund.



The **agency** requests \$82.6 million and 99.4 FTE positions for FY 2025, including \$81.6 million from the KPERS Trust Fund. This represents an increase of \$8.7 million, or 11.8 percent, above the FY 2024 revised estimate. The majority of the increase is attributable to a \$3.9 million increase in expenditures from the KPERS Trust Fund for **external investment management and consultant fees**. This includes management fees for real estate, publicly traded securities, custodial bank services, and investment consulting. Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2023, by an actuarial rate of return assumption. Management fee estimates are regularly updated to reflect investment experience and performance. The request increases management fee estimates from \$42.1 million in FY 2024 to \$46.0 million for FY 2025.

The request also includes a \$3.0 million increase for the **continued modernization of the Pension Administration System**. The agency anticipates beginning system modernization in FY 2024 and scaling up operations for FY 2025.

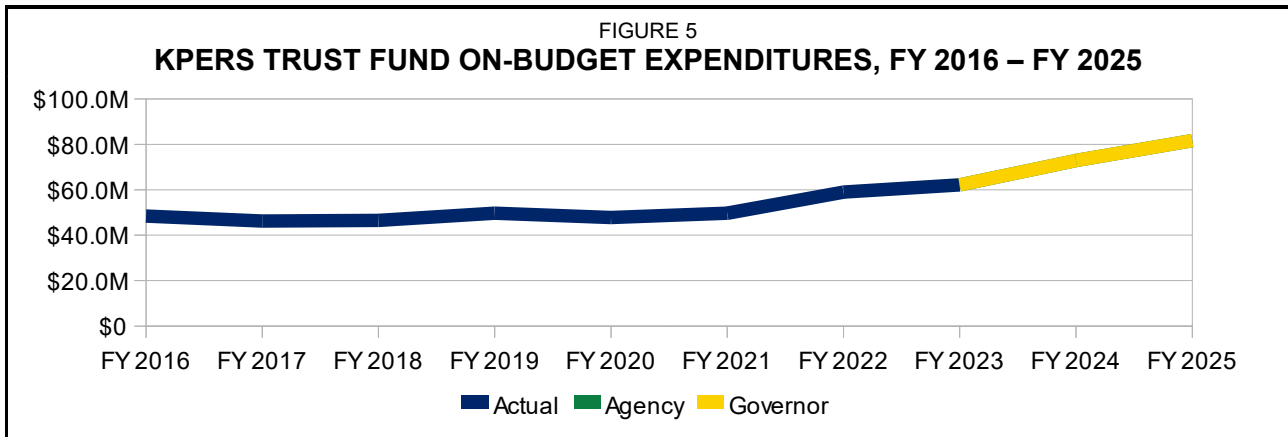
The **Governor** concurs with the agency's request and recommends \$82.6 million and 99.4 FTE positions for FY 2025, including \$81.6 million from the KPERS Trust Fund.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2023 – FY 2025

Category of Expenditure:	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Salaries and Wages	\$ 14,624,005	\$ 17,000,950	\$ 17,000,950	\$ 16,950,624	\$ 16,950,624
Contractual Services	48,046,628	56,304,398	56,304,398	65,052,794	65,052,794
Commodities	87,704	124,950	124,950	133,950	133,950
Capital Outlay	342,541	500,000	500,000	500,000	500,000
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	-	-	-	-	-
<i>Subtotal—Operating</i>	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
Capital Improvements	-	-	-	-	-
Debt Service Principal	-	-	-	-	-
TOTAL	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
Financing:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
KPERS Trust Fund	62,174,624	72,877,662	72,877,662	81,588,553	81,588,553
Deferred Comp. Fund	558,928	649,139	649,139	646,979	646,979
Group Ins. Res. Fund	367,326	403,497	403,497	401,836	401,836
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
TOTAL	<u>\$ 63,100,878</u>	<u>\$ 73,930,298</u>	<u>\$ 73,930,298</u>	<u>\$ 82,637,368</u>	<u>\$ 82,637,368</u>
FTE Positions	98.4	99.4	99.4	99.4	99.4

KPERS TRUST FUND



KSA 74-4902 and KSA 74-4921 establish the Kansas Public Employees Retirement Fund for the payment of expenditures and benefits under the retirement system. KSA 74-4920 provides that the Division of the Budget and the Governor shall include in the budget appropriations for personal services amounting to the sum required to satisfy the State's obligation under the Retirement Act, as certified by the Board of Trustees, presenting the same to the Legislature for allowance of appropriation. Additionally, KSA 74-4939 provides that, before September 15 of each year, school employers shall certify to the State Board of Education the anticipated total compensation to be paid during the next fiscal year to employees who are or are to become members.

KSA 74-4920 establishes the state employer contribution rate and the local employer contribution rate. The combined state/school group employer contribution rate is 12.57 percent in

FY 2024 and 11.42 percent for FY 2025. The statutory KPERS–State/School employer contribution rate reflects the full actuarial required contribution rate (ARC) for those years. The local employer rate is 9.26 percent in calendar year (CY) 2024 and 9.60 percent for CY 2025. Local employers have been contributing the full ARC since CY 2015 and are scheduled to pay the full ARC in CY 2024 and for CY 2025.

The Legislature has taken action to increase state and local employer contributions to provide enhanced resources for the long-term financing of KPERS. In recent years, the Legislature has utilized State General Fund (SGF)-backed pension obligation bonds and direct SGF transfers to increase KPERS Trust Fund resources. In total, the Legislature has made \$3.125 billion in extraordinary deposits and transfers, as follows:

- The **2004 Legislature** authorized issuance of \$500.0 million in bonds;
- The **2015 Legislature** authorized issuance of \$1.0 billion in bonds;
- The **2021 Legislature** authorized issuance of \$500.0 million in bonds; and
- The **2022 Legislature** transferred \$1.125 billion SGF directly to the KPERS Trust Fund. Of that amount, the first \$253.9 million SGF paid off outstanding accounts receivable for KPERS-School employer contributions withheld in FY 2017 and FY 2019 (“layering payments”), while the remaining \$871.1 million SGF was applied to the KPERS-School unfunded actuarial liability.

At a 7.0 percent assumed rate of return, investment earnings are estimated to total \$1.79 billion in FY 2024 and \$1.92 billion for FY 2025. Total combined employee and employer contributions for pension, death and disability, and optional group life insurance are estimated to be \$1.66 billion in FY 2024 and \$1.65 billion for FY 2025. This reflects the certified employer contributions set in the 2020 and 2021 actuarial valuations, which include a KPERS–State/School employer contribution rate of 12.57 percent in FY 2024 and 11.42 percent for FY 2025.

GROUP INSURANCE RESERVE FUND

Each employer contributes to the Group Insurance Reserve Fund. Established in KSA 74-4927, the employer contribution rate is 1.0 percent of compensation. On occasion, the Legislature has placed a moratorium on contributions to the Group Insurance Reserve Fund, most recently in FY 2016. The Governor’s July 2020 allotment included a full-year moratorium on KPERS–State/School employer contributions to the Group Insurance Reserve Fund in FY 2021. The employer contribution rate is scheduled to be 1.0 percent for FY 2024 and FY 2025.

FY 2024 ANALYSIS

FIGURE 6

SUMMARY OF BUDGET REQUEST, FY 2024

	SGF	All Funds	FTE
Legislative Approved:			
Amount Approved by 2023 Legislature	\$ -	\$ 67,282,513	100.4
1. No Changes	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 67,282,513	100.4
Agency Revised Estimate:			
2. Investment Management and Consultant Fees	\$ -	\$ 7,067,465	--
3. Administrative Expenditures	-	(419,680)	(1.0)
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 73,930,298	99.4
Governor’s Recommendation:			
4. No Changes	\$ -	\$ -	--
TOTAL	\$ -	\$ 73,930,298	99.4

LEGISLATIVE APPROVED

The 2023 Legislature approved \$67.3 million in expenditures and 100.4 FTE positions for the Kansas Public Employees Retirement System for FY 2024.

1. **NO CHANGES.** Subsequent to the 2023 Session, no changes were made to the \$67.3 million appropriated to KPERS for FY 2024.

AGENCY ESTIMATE

The **agency** submits a revised estimate of \$73.9 million and 99.4 FTE positions in FY 2024, including \$72.9 million from the KPERS Trust Fund. This represents an increase of \$6.6 million, or 9.9 percent, above the amount approved by the 2023 Legislature. The revised estimate includes the following adjustments:

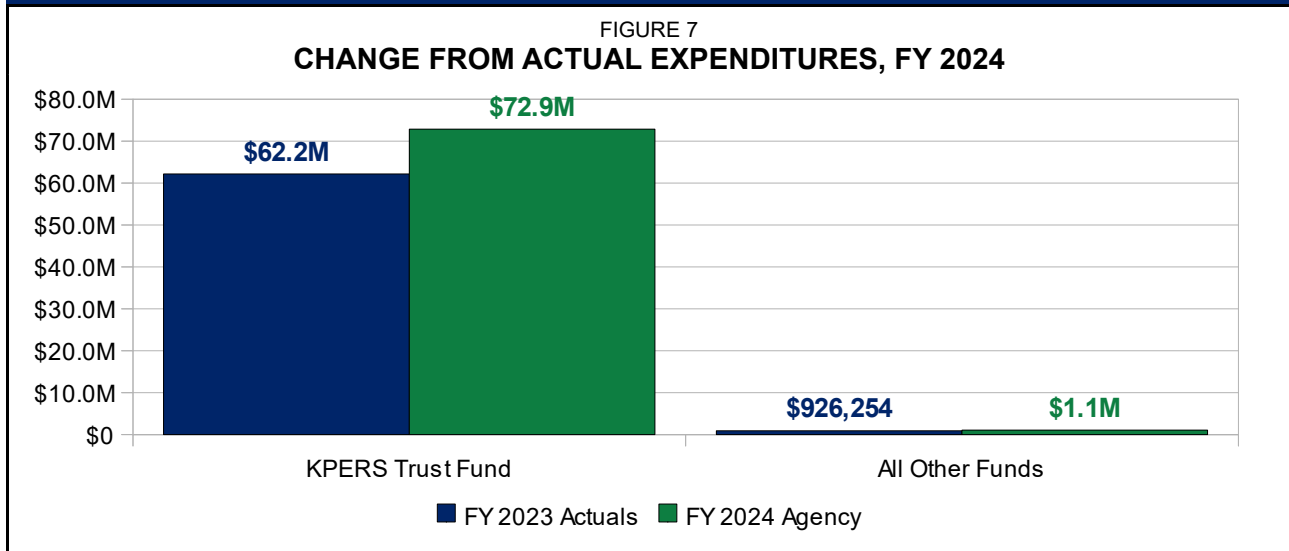
2. **INVESTMENT MANAGEMENT AND CONSULTANT FEES.** The revised estimate includes an increase of \$7.1 million in expenditures from the KPERS Trust Fund for external investment management and consultant fees. This includes management fees for real estate, publicly traded securities, custodial bank services, and investment consulting. Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2023, by an actuarial rate of return assumption. Management fee estimates are regularly updated to reflect investment experience and performance. The revised estimate raises management fee estimates from the \$35.0 million approved by the 2023 Legislature to \$42.1 million in FY 2024.
3. **ADMINISTRATIVE EXPENDITURES.** The revised estimate includes a decrease of \$419,680 and 1.0 FTE position to account for changes in administrative expenditures and fringe benefits costs across all programs. These adjustments also include fewer authorized positions needed to implement 2023 HB 2196, which affiliated certain Kansas Department of Wildlife and Parks employees into the KP&F Retirement System and expanded the Deferred Retirement Option Program (DROP).

GOVERNOR’S RECOMMENDATION

The **Governor** concurs with the agency's revised estimate and recommends \$73.9 million and 99.4 FTE positions in FY 2024, including \$72.9 million from the KPERS Trust Fund.

4. **NO CHANGES.** The Governor does not recommend any changes to the agency’s revised estimate in FY 2024.

FY 2024 CHANGE FROM ACTUAL EXPENDITURES



The **agency** submits a revised estimate of \$73.9 million and 99.4 FTE positions in FY 2024, including \$72.9 million from the KPERs Trust Fund. This represents an increase of \$10.8 million, or 17.2 percent, above actual expenditures in FY 2023, largely due to the following items:

- **PENSION ADMINISTRATION SYSTEM.** The revised estimate includes an increase of \$6.1 million in expenditures for the continued modernization of the Pension Administration System in FY 2024. The increase is primarily due to contractual service expenditures to modernize the system. The agency anticipates an increase in expenditures as the project moves from planning to implementation, before tapering off as the project nears completion. The revised estimate increases expenditures from \$3.0 million in FY 2023 to \$9.0 million in FY 2024.
- **INVESTMENT MANAGEMENT AND CONSULTANT FEES.** The revised estimate includes an increase of \$6.7 million in expenditures from the KPERs Trust Fund for external investment management and consultant fees. This includes management fees for real estate, publicly traded securities, custodial bank services, and investment consulting. Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2023, by an actuarial rate of return assumption. Management fee estimates are regularly updated to reflect investment experience and performance. The revised estimate raises management fee estimates from \$35.4 million in FY 2023 to \$42.1 million in FY 2024.

FY 2025 ANALYSIS

FIGURE 8

SUMMARY OF BUDGET REQUEST, FY 2025

	SGF	All Funds	FTE
Agency Request:			
Request without Major Changes	\$	-	\$ 75,703,343
1. Investment Management and Consultant Fees		-	3,934,025
2. Pension Administration System Modernization		-	3,000,000
<i>Subtotal—Agency Request</i>	\$	-	\$ 82,637,368
Governor’s Recommendation:			
3. No Changes	\$	-	\$ -
TOTAL	\$	-	\$ 82,637,368

AGENCY REQUEST

The **agency** requests \$82.6 million and 99.4 FTE positions for FY 2025, including \$81.6 million from the KPERS Trust Fund. This represents an increase of \$8.7 million, or 11.8 percent, above the FY 2024 revised estimate. The request includes the following adjustments:

1. **INVESTMENT MANAGEMENT AND CONSULTANT FEES.** The request includes an increase of \$3.9 million from the KPERS Trust Fund for external investment management and consultant fees. This includes management fees for real estate, publicly traded securities, custodial bank services, and investment consulting. Investment-related expenses are determined by forecasting the current market value of the portfolio on June 30, 2023, by an actuarial rate of return assumption. Management fee estimates are regularly updated to reflect investment experience and performance. The request increases management fee estimates from \$42.1 million in FY 2024 to \$46.0 million for FY 2025.

2. **PENSION ADMINISTRATION SYSTEM MODERNIZATION.** The request includes an increase of \$3.0 million in expenditures for the continued modernization of the Pension Administration System in FY 2025. The agency’s budget submission assumes modernization will begin in FY 2024 and scale up for FY 2025. Accordingly, this increase is due to those expected costs.

GOVERNOR’S RECOMMENDATION

The **Governor** concurs with the agency’s request and recommends \$82.6 million and 99.4 FTE positions for FY 2025, including \$81.6 million from the KPERS Trust Fund.

3. **NO CHANGES.** The Governor does not recommend any changes to the agency’s request for FY 2025.

SPECIAL TOPICS

PENSION ADMINISTRATION SYSTEM MODERNIZATION PROJECT

The agency maintains a pension administration software application that provides the functionality needed to collect data and moneys from employers and to process and pay benefits. KPERS partnered with Sagitec Solutions (Sagitec) to implement the current software system, which has been in continuous use since 2005. Over the past 15 years, additional system customization has been necessitated by plan design changes, including both internal changes, such as implementing solutions for business processes, and external changes, such as legislative actions. Significant plan design changes include the creation of KPERS 2 in 2007 and KPERS 3 in 2012, which required moving to pay period reporting for employee and employer contributions.

BACKGROUND

In 2020, KPERS engaged in a request for proposal (RFP) for a complete business assessment of KPERS and the current pension administration system, which was completed by The Segal Group (Segal). Part of Segal's assessment was to determine whether KPERS needed to invest in a completely new pension administration system or whether the existing vendor, Sagitec, could meet the future needs of the system. KPERS determined that Sagitec had the capacity to continue supporting the current system, but, at Segal's recommendation, asked that Sagitec complete a proof-of-concept project to demonstrate whether they could execute the modernization features KPERS requires.

In 2021, Sagitec completed the proof-of-concept project, and KPERS elected to retain Sagitec as a project vendor at that time. Because of the extensive customization of the base system, KPERS originally decided the new pension administration system would be based on a new platform using Sagitec's application, Neospin. External data would have been migrated to a new database and the base application would be customized to meet project requirements.

In 2022, after assessing the existing state of the system, KPERS initially determined it could adopt an upgrade-in-place approach with Sagitec. However, as the year progressed, KPERS ultimately determined Sagitec was unable to meet its expectations for a successful process. Additionally, KPERS indicates budget estimates had increased to a point where it made more sense to go to the market to assess the cost of a full replacement.

In 2023, KPERS initiated the RFP process for a replacement and worked with Segal to determine more than 3,000 requirements for the proposal. The RFP was submitted to the Kansas Information Technology Office, which approved the proposal in May 2023. KPERS received two qualified candidates for the proposal. After reviewing the technical proposals, meeting with references, and participating in product demonstrations, the Board of Trustees selected Tegrit Software Ventures for the project, at an initial proposed cost of \$57.6 million to implement. KPERS will begin implementation of the new system in 2024, with an estimated completion time of five years.

FINANCING

At this point, KPERS maintains the budget estimate approved by the 2023 Legislature, but indicates those numbers may be adjusted in future years as project details with Tegrit Software Ventures are determined. KPERS anticipates modernization expenditures totaling \$9.0 million in FY 2024 and \$12.0 million for FY 2025, all financed from the KPERS Trust Fund.

SPECIAL TOPICS

COST-OF-LIVING ADJUSTMENTS

Cost-of-living adjustments (COLAs) modify benefits to counteract the impact of economic changes, such as inflation. COLAs can be implemented either automatically or on an *ad hoc* basis. Automatic adjustments occur on a regular, predetermined schedule and do not require additional action by the plan sponsor. These adjustments can be tied to an index, such as the Consumer Price Index (CPI), or conditioned on investment performance or funding level. In contrast, *ad hoc* adjustments do not occur on a regular basis and require approval of the plan sponsor or a delegating authority. In Kansas, that authority resides within the Legislature.

KPERS plans have not included a COLA since the system was created, with three exceptions:

- **KPERS 2** included an automatic 2.0 percent COLA when it was created in 2007, but the authorizing statute was repealed in 2012.
- **KPERS 3** has a self-funded COLA of 1.0 or 2.0 percent, but that benefit is funded by the member through an actuarial reduction to the member's lifetime benefit.
- A **13th check benefit** was paid to members from 1980 to 1987.

The Kansas Legislature has approved both permanent and one-time *ad hoc* COLAs. The Legislature has not approved a COLA since 2008. As of the December 31, 2022, valuation, approximately 10.0 percent of beneficiaries met the criteria to receive at least one COLA since they retired. The remaining 90.0 percent have never received a COLA.

The projected costs of implementing a COLA depend on the characteristics of the adjustment—automatic or *ad hoc*, one-time payment or permanent adjustment, base or compound adjustment, and so on. When a COLA is approved, costs are funded through current employee or employer contributions. COLAs can be funded through a one-time payment equal to the change in the unfunded actuarial liability (UAL), or the cost can be amortized over a number of years.

During the 2023 Session, several bills to implement a COLA were introduced to both the House and Senate, but none passed. Examples of such bills are as follows:

- **HB 2025** would add a self-funded COLA option for members of KPERS 1 and 2.
- **HB 2252** and **SB 198** would have provided a single, permanent adjustment for those who retired before July 1, 2018. The adjustment would have been tiered from 1.0 to 5.0 percent, depending on how long the member had been retired. At the time, the projected increase in the UAL was \$353.5 million. If funded over a 15-year period, the average annual cost would have been approximately \$31.5 million.

Bills to implement a COLA were also introduced in the 2022 Session. Examples are as follows:

- **2022 HB 2583** and **2022 SB 401** would have implemented an automatic COLA for all retirees. COLA increases would be tied to the CPI, ranging from no COLA if the CPI increase was lower than 0.04 percent, to a 5.0 percent COLA if the CPI increase was 3.5 percent or greater. The projected cost for the bill was a \$4.9 billion increase in the UAL, or approximately \$500.0 million annually if funded over a 20-year period.
- **2022 HB 2742** would have issued a one-time 13th check payment to retirees.

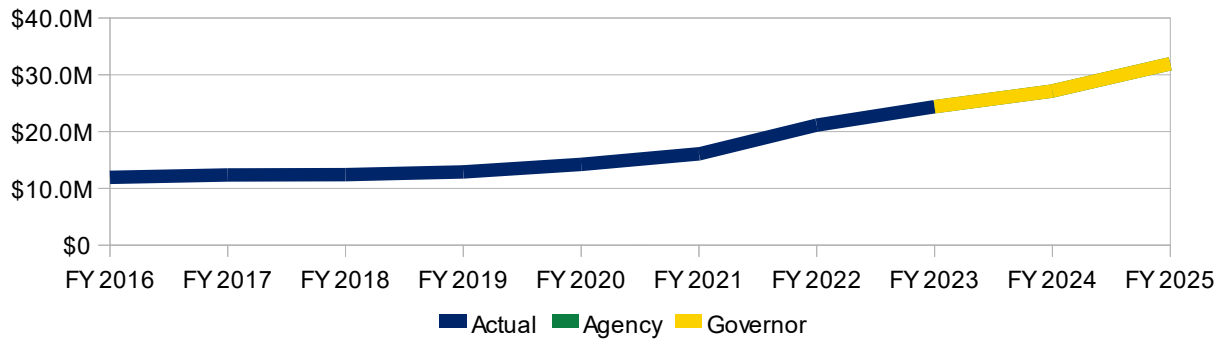
PROGRAM OVERVIEW

FIGURE 9
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2023 – FY 2025

Programs	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
Expenditures:					
Administration	\$ 24,358,300	\$ 27,145,000	\$ 27,145,000	\$ 31,923,430	\$ 31,923,430
KPERS Investments	37,816,324	45,732,662	45,732,662	49,665,123	49,665,123
Deferred Comp.	558,928	649,139	649,139	646,979	646,979
Death and Disability	367,326	403,497	403,497	401,836	401,836
TOTAL	\$ 63,100,878	\$ 73,930,298	\$ 73,930,298	\$ 82,637,368	\$ 82,637,368
FTE Positions:					
Administration	83.1	84.1	84.1	84.1	84.1
KPERS Investments	9.4	9.4	9.4	9.4	9.4
Deferred Comp.	2.6	2.6	2.6	2.6	2.6
Death and Disability	3.3	3.3	3.3	3.3	3.3
TOTAL	98.4	99.4	99.4	99.4	99.4

ADMINISTRATION

FIGURE 10
ADMINISTRATION EXPENDITURES, FY 2016 – FY 2025



STATUTORY BASIS: • KSA 74-4920 *et seq.*

- PROGRAM GOALS:**
- Pay retirement and death and disability benefits earned by KPERS members.
 - Prudently manage the investments of the KPERS Trust Fund (pension plan) and Group Insurance Reserve Fund (death and disability plan).
 - Collect all statutorily required employer and employee contributions to the pension plan and all statutorily required employer contributions to the death and disability plan.

The Administration program provides a centralized resource to accumulate funds and statistical information on active, inactive, and retired members of the various systems under its jurisdictions. Additionally, this program provides operations support—excluding

investments—for management, statistical information, service records, contributions, payment, and customer service. The Executive Director administers this program and reports to the KPERS Board of Trustees.

FIGURE 11
ADMINISTRATION FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	24,358,300	27,145,000	27,145,000	31,923,430	31,923,430
TOTAL	\$ 24,358,300	\$ 27,145,000	\$ 27,145,000	\$ 31,923,430	\$ 31,923,430
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	15.3 %	11.4 %	-- %	17.6 %	-- %
FTE Positions	83.1	84.1	84.1	84.1	84.1

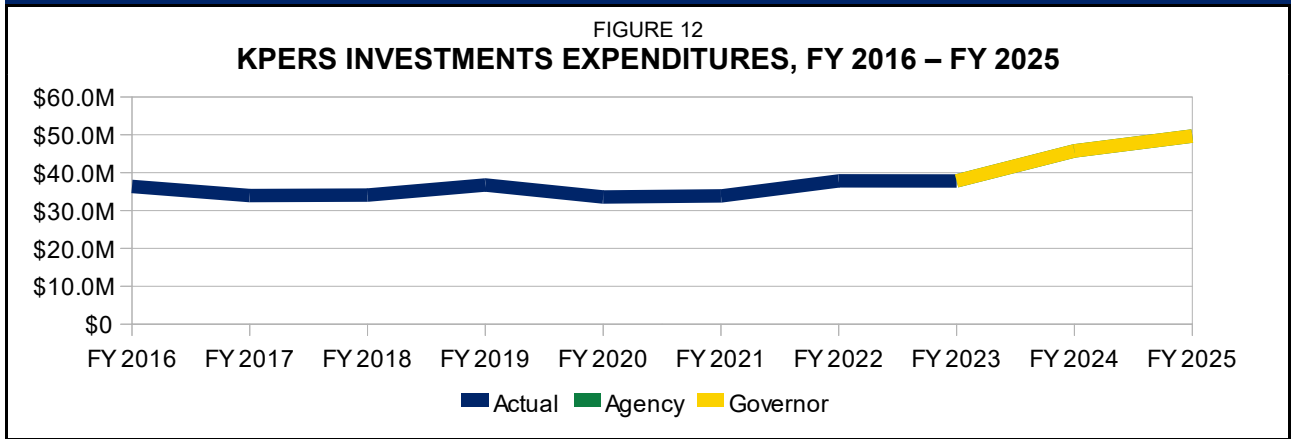
BUDGET ANALYSIS

The **agency** requests \$31.9 million, all from the KPERS Trust Fund, and 84.1 FTE positions for the Administration program for FY 2025. This represents an increase of \$4.8 million, or 17.6 percent, above the agency's revised estimate in FY 2024. The change is primarily due to expected costs of the Pension

Administration System modernization project (\$3.0 million).

The **Governor** concurs with the agency's request and recommends \$31.9 million and 84.1 FTE positions for the Administration program for FY 2025.

KPERS INVESTMENTS



STATUTORY BASIS: • KSA 74-4920 *et seq.*
PROGRAM GOALS: • Prudently manage the investments of the KPERS Trust Fund.

The KPERS Investments program directs investment-related activities, including the supervision of investment managers under contract to the KPERS Board of Trustees and management of a portion of the investment portfolio not assigned to the outside investment managers. KPERS staff charge a portion of time and operating expenses for non-KPERS investment management in order to secure reimbursement for managing investments of the Kansas Endowment for Youth Fund, which has

a balance of \$57.1 million in FY 2023. The 2022 Legislature deleted language prohibiting the State Treasurer from investing unclaimed property funds with KPERS.

Investments are made in accordance with state statutes and the Statement of Investment Policy, Objectives, and Guidelines maintained by the Board. The policy specifies a long-term target asset mix based on market value.

FIGURE 13

KPERS INVESTMENTS FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	37,816,324	45,732,662	45,732,662	49,665,123	49,665,123
TOTAL	\$ 37,816,324	\$ 45,732,662	\$ 45,732,662	\$ 49,665,123	\$ 49,665,123
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	-- %	20.9 %	-- %	8.6 %	-- %
FTE Positions	9.4	9.4	9.4	9.4	9.4

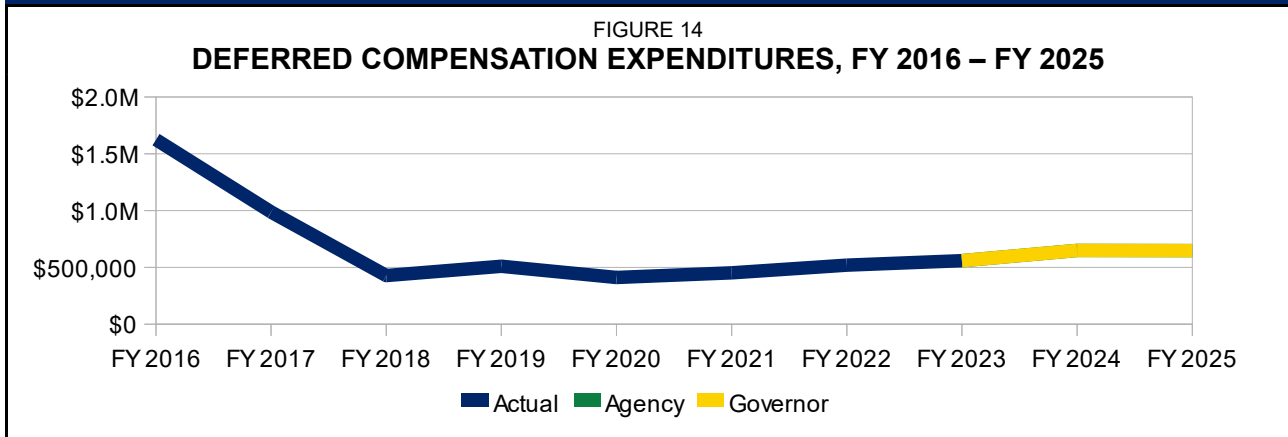
BUDGET ANALYSIS

The **agency** requests \$49.7 million, all from the KPERS Trust Fund, and 9.4 FTE positions for the KPERS Investments program for FY 2025. This represents an increase of \$3.9 million, or 8.6 percent, above the agency's revised estimate in FY 2024. The change is primarily due to increases in external investment management and consulting fees

(\$3.9 million), which are based on fund performance.

The **Governor** concurs with the agency's request and recommends \$49.7 million and 9.4 FTE positions for the KPERS Investments program for FY 2025.

DEFERRED COMPENSATION



STATUTORY BASIS: • KSA 74-49b01 *et seq.*

PROGRAM GOALS: • Ensure that the plan is administered and operated according to its terms, and to keep the plan compliant with federal as well as applicable state laws.
• Increase the number of deferring employees.

The Deferred Compensation program is a voluntary, tax-deferred retirement program for state employees. In addition, many local public employers offer the plan to their employees. Only the administrative costs of this program are included in the agency's budget request, since it operates as an employee savings plan, with a small portion of those revenues used to finance operating expenditures of the plan for personnel and service provider contracts.

The 2016 Legislature provided KPERS with the authority to establish a flexible 401(a) supplemental defined contribution plan for local employers that have adopted the KPERS 457 plan and wish to make employer contributions to employee personal savings. As of June 30, 2023, there are 15 employers participating in the 401(a) plan, with 606 participants and assets totaling \$6.1 million.

FIGURE 15
DEFERRED COMPENSATION FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	558,928	649,139	649,139	646,979	646,979
TOTAL	\$ 558,928	\$ 649,139	\$ 649,139	\$ 646,979	\$ 646,979
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	7.7 %	16.1 %	-- %	(0.3) %	-- %
FTE Positions	2.6	2.6	2.6	2.6	2.6

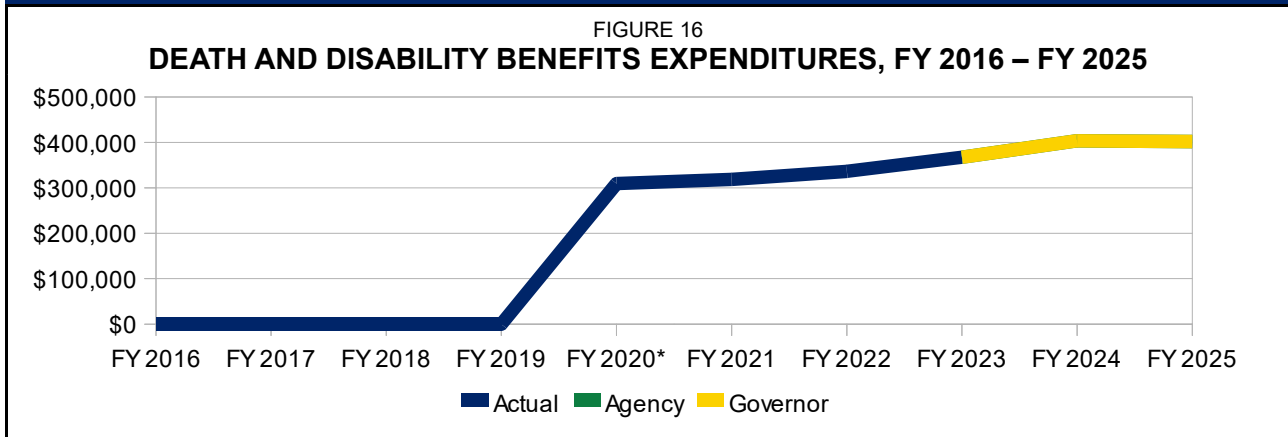
BUDGET ANALYSIS

The **agency** requests \$646,979, all from the Deferred Compensation Fund, and 2.6 FTE positions for the Deferred Compensation program for FY 2025. This represents a decrease of \$2,160, or 0.3 percent, below the agency's revised estimate in FY 2024, entirely

due to changes in fringe costs and employer contributions for employee benefits.

The **Governor** concurs with the agency's request and recommends \$646,979 and 2.6 FTE positions for the Deferred Compensation program for FY 2025.

DEATH AND DISABILITY BENEFITS



* Staff note: Prior to FY 2020, expenditures for this program were reflected in the Administration program.

STATUTORY BASIS: • KSA 74-4920 *et seq.*

PROGRAM GOALS:

- Pay all death and disability benefits earned by KPERs members.
- Prudently manage the investments of the Group Insurance Reserve Fund.
- Collect statutorily required employer contributions to the death and disability plan.

The Death and Disability Benefits program provides death and disability benefits for active KPERs members and unclassified employees of the Board of Regents and its institutions. Employers contribute a statutory rate of 1.0 percent of covered payroll to pay for basic

group life insurance and long-term disability protection. Employees do not pay for the basic benefits, but can choose to purchase optional term life insurance on an individual basis. The KPERs Board of Trustees may adjust the plan within the funds made available.

FIGURE 17
DEATH AND DISABILITY BENEFITS FINANCING, FY 2023 – FY 2025

Fund	Actual FY 2023	Agency FY 2024	Governor FY 2024	Agency FY 2025	Governor FY 2025
SGF	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	367,326	403,497	403,497	401,836	401,836
TOTAL	\$ 367,326	\$ 403,497	\$ 403,497	\$ 401,836	\$ 401,836
Percent Change:					
SGF	-- %	-- %	-- %	-- %	-- %
All Funds	9.2 %	9.8 %	-- %	(0.4) %	-- %
FTE Positions	3.3	3.3	3.3	3.3	3.3

BUDGET ANALYSIS

The **agency** requests \$401,836, all from the Group Insurance Reserve Fund, and 3.3 FTE positions for the Death and Disability Benefits program for FY 2025. This represents a decrease of \$1,661, or 0.4 percent, below the agency's revised estimate in FY 2024, entirely

due to changes in fringe costs and employer contributions for employee benefits.

The **Governor** concurs with the agency's request and recommends \$401,836 and 3.3 FTE positions for the Death and Disability