

Kansas Coalition of Public Retirees



KPERS SCHOOL Underfunded Initially and Consistently

As of December 31, 2017, the following funding levels for the various KPERS groups are as follows:

1. KPERS State 80.5%
2. KPRS School 61.6%
3. Combined State/School 66.0%
4. Local 72.5%
5. KP&F 74.1%
6. Judges 95.9%
7. Total 68.4%

(Please note that these are the latest official available figures. Also, the Kansas Legislature is responsible for the 'employer funding' portions of 1-3 above. The higher funding levels of 4-6 are because the actuarial employer contribution is more often met.)

The release of this information comes at an important time for two reasons:

1. Most do not realize the point that will be made here, i.e., KPERS School was initially underfunded when consolidated into the KPERS retirement system.
2. It also seems an appropriate topic with the introduction of HB2329. While KCPR may be interpreting the intent incorrectly, it could be interpreted that this call for increased school employee contribution implies that school employees have done something wrong and need to contribute more.

The following speak to our concerns:

KPERS originated in 1962 and merged with the Kansas Teacher's Retirement System in 1971. (The statutes require that any organization joining KPERS must fully fund the new entity.) The Kansas Legislature made the decision to join the two programs, and subsequently contributed an additional \$10 Million a year to fully fund the Kansas Teacher's Retirement System portion of KPERS from 1971-1982, at which time they stopped the "extra" contributions.

The statute outlining the conditions of such mergers was not followed. The procedure requiring the full funding of the previous teacher's retirement system, when it was enjoined with KPERS, was not followed. (This action has led to the KCPR comments that KPERS School has been underfunded twice! Initially in 1971 and then along with all the rest of the State funded parts of KPERS for the last 24

years and counting.) The above explains why there is always a difference in the funding levels of KPERS and KPERS School.

Over the years, and specifically in 2011, the legislation called for a plan to reduce the underfunding of KPERS by the State. The employer contribution set forth in this legislation was not yet the actuarial amount required annually. The present plan, as listed in the previous paragraph, is to finally reach the actuarial amount of contribution in 2021.

In the case of KPERS State and KPERS School, the annual actuarial recommended contribution, because of the years of underfunding, is roughly 6 times larger than if the pension system had been annually funded at the actuarial suggested level.

The present contribution plan is scheduled to reach the actuarial (\$686 Million) amount in 2021. This will be the first time in 27 years that the 'proper' amount has been scheduled. Since this goal is set for 2021, the underfunding continues. [Note that the above facts of the above paragraph may become mute if all proposed 2019 legislative action is finalized.]

This year (2019) is the 25th year of underfunding the actuarial recommended amount.

We hope you find this information helpful.

Ernie Claudel
eclaudel1@comcast.net
913-481-6923

Dennis Phillips
djpiaff83@yahoo.com
785-554-3442