

# Kansas Coalition of Public Retirees



## KPERS REAMORTIZATION CONCERN

As we all know, amortization is a means to gradually reduce an obligation such as a mortgage through periodic payments. A newly proposed KPERS re-amortization plan would extend the current plan by ten additional years. While initial costs would be reduced, the additional long-term expense to the State would be an increase of \$4.6 Billion. That is the cost of stretching smaller KPERS payments over ten additional years. It is much like refinancing a home. The owner is allowed to make smaller, easier payments, but when the smaller payments are added up, the cost of paying off the mortgage is considerably higher.

So before launching into a new re-amortization plan, it is worth remembering we already have a re-amortization plan in place. That plan was initiated in 1993. It was set to run for 40 years with the goal of eliminating the underfunded actuarial liability (UAL) by 2033.

Unfortunately, the Kansas legislature failed to make required KPERS contributions for most of the years since 1993. It is those years of underfunding that have largely caused the UAL to grow and persist.

A 2011 KPERS Commission recommended a plan to address the UAL, which called for a permanent 50% increase in employee contributions and an increasing contribution on the part of the State. Still, underfunding continued until 2019 when the Kansas Legislature authorized the actuarial determined contribution for the first time in 25rs. This year the State has proposed payment of the actuarial determined contribution of \$676 Million, but if the State continues to make its required contributions, it appears the 1993 re-amortization goal of eliminating the UAL by 2033 is possible. And if that goal is reached, the State's required contribution will drop to approximately \$135 Million. That is the "normal rate". The State would pay the normal rate going forward as long as the KPERS legacy debt (The Unfunded Actuarial Liability) is retired.

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