

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FY 2021 – FY 2023 BUDGET ANALYSIS

FIGURE 1
BUDGET OVERVIEW, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Operating Expenditures:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	217,615	-	-	-	-
All Other Funds	50,468,187	63,113,341	63,113,341	67,680,426	67,680,426
<i>Subtotal</i>	<u>\$ 50,685,802</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
Capital Improvements:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Funds	-	-	-	-	-
All Other Funds	-	-	-	-	-
<i>Subtotal</i>	<u>\$ -</u>				
TOTAL	<u>\$ 50,685,802</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
Percentage Change:					
State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	4.5 %	24.5 %	24.5 %	7.2 %	7.2 %
FTE Positions	98.4	98.4	98.4	98.4	98.4

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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."

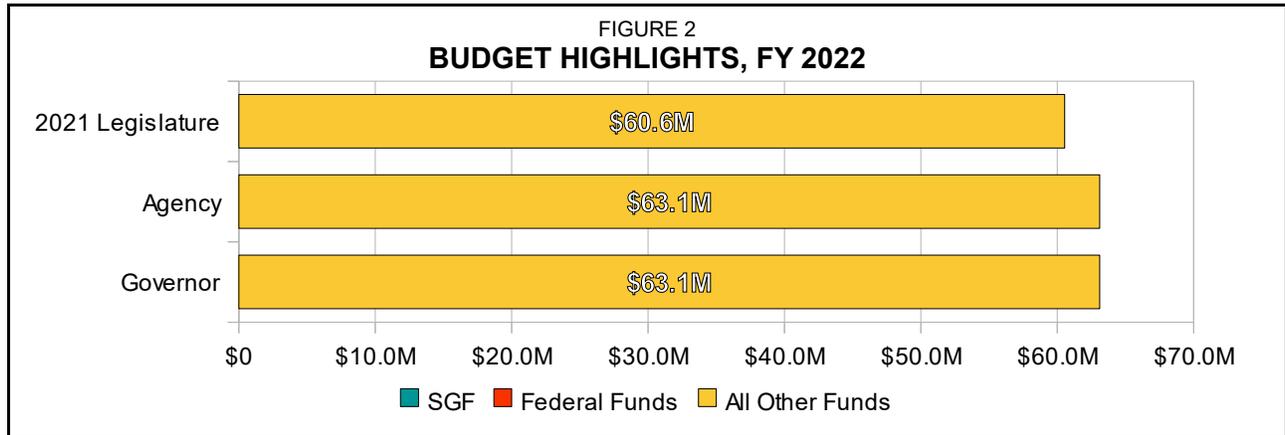
KPERS administers three statewide coverage groups: **KPERS–State**, **KPERS–School**, and **KPERS–Local** (for regular state and local public employees, school district, technical college, and community college employees; Regents classified employees and certain Regents unclassified staff with pre-1962 service; and state correctional officers); the **Kansas Police and Firemen’s Retirement System** (for certain designated state and local public safety employees); and the **Kansas Retirement System for Judges** (for the State’s judicial system 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 non-KPERS moneys that include two funds: the Kansas Endowment for Youth Fund and the Treasurer’s Unclaimed Property Fund. A nine-member Board of Trustees is the governing body for KPERS. 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.

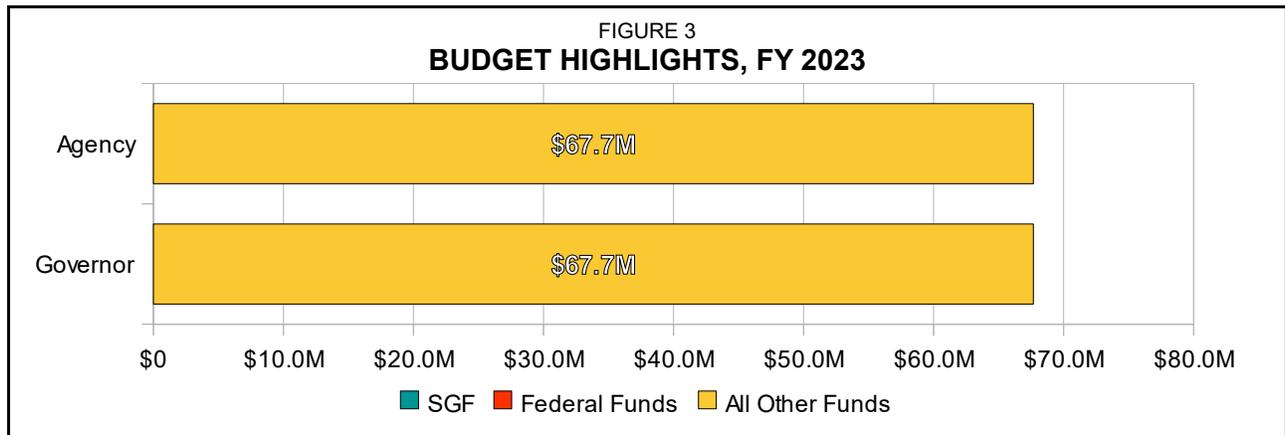
EXECUTIVE SUMMARY

The 2021 Legislature approved a budget of \$60.6 million, including \$59.7 million from the Kansas Public Employees Retirement Fund, for the Kansas Public Employees Retirement System for FY 2022. No adjustments have been subsequently made to that amount.



The **agency** submits a revised estimate of \$63.1 million in expenditures and 98.4 FTE positions in FY 2022, including \$62.2 million from the Kansas Public Employees Retirement Fund. This represents an increase of \$2.6 million, or 4.2 percent, above the amount approved by the 2021 Legislature. The revised estimate includes an increase of \$2.6 million in expenditures from the Kansas Public Employees Retirement Fund for **investment management expenses**. Each year, the submitted budget assumes a 7.75 percent return, with associated investment management expenses. When the system's investment portfolio experiences higher returns, investment-related expenses also increase.

The **Governor** concurs with the agency's revised estimate and recommends \$63.1 million in expenditures and 98.4 FTE positions in FY 2022.



The **agency** requests \$67.7 million in expenditures and 98.4 FTE positions for FY 2023, including \$66.8 million from the Kansas Public Employees Retirement Fund. This represents an increase of \$4.6 million, or 7.2 percent, above the agency's revised estimate in FY 2022. The request includes an increase of \$2.6 million in expenditures for modernization of the **pension**

administration system. For FY 2023, the agency has budgeted \$9.2 million for the project, with increased costs included for contractual expenditures with the company Sagitec as it develops the new system. Major efforts include employer web portal updates, administration system upgrades, business process management, data profiling and cleaning, and development of the member web portal. The request also includes an increase of \$1.8 million in expenditures from the Kansas Public Employees Retirement Fund for **investment management expenses**. Each year, the submitted budget assumes a 7.75 percent return, with associated investment management expenses. When the system's investment portfolio experiences higher returns, investment-related expenses also increase.

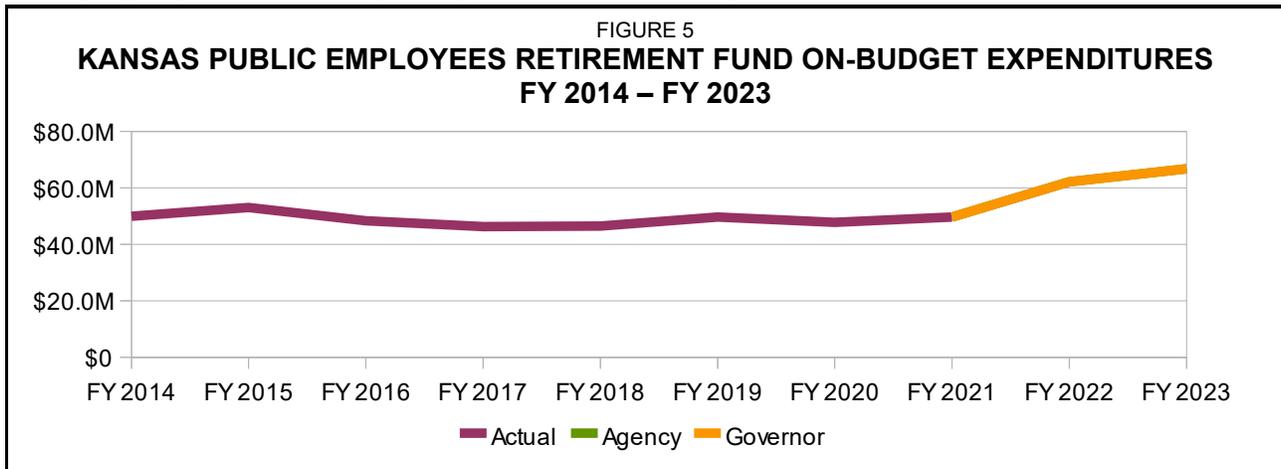
The **Governor** concurs with the agency request and recommends \$67.7 million in expenditures and 98.4 FTE positions for FY 2023.

EXPENDITURES AND FINANCING

FIGURE 4
BUDGET SUMMARY BY CATEGORY OF EXPENDITURE, FY 2021 – FY 2023

	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Category of Expenditure:					
Salaries and Wages	\$ 12,171,574	\$ 13,831,217	\$ 13,831,217	\$ 13,825,079	\$ 13,825,079
Contractual Services	37,560,905	48,657,174	48,657,174	53,230,397	53,230,397
Commodities	83,585	124,950	124,950	124,950	124,950
Capital Outlay	790,988	500,000	500,000	500,000	500,000
Debt Service Interest	-	-	-	-	-
<i>Subtotal</i>	<u>\$ 50,607,052</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
Aid to Local Units	-	-	-	-	-
Other Assistance	78,750	-	-	-	-
<i>Subtotal—Operating</i>	<u>\$ 50,685,802</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
Capital Improvements	-	-	-	-	-
Debt Service	-	-	-	-	-
Principal	-	-	-	-	-
TOTAL	<u>\$ 50,685,802</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
Financing:					
State General Fund	\$ -	\$ -	\$ -	\$ -	\$ -
KPER Fund	49,698,035	62,196,901	62,196,901	66,760,405	66,760,405
Deferred Comp. Fund	451,773	581,216	581,216	584,810	584,810
Group Ins. Res. Fund	318,379	335,224	335,224	335,211	335,211
Federal Funds	217,615	-	-	-	-
All Other Funds	-	-	-	-	-
TOTAL	<u>\$ 50,685,802</u>	<u>\$ 63,113,341</u>	<u>\$ 63,113,341</u>	<u>\$ 67,680,426</u>	<u>\$ 67,680,426</u>
FTE Positions	98.4	98.4	98.4	98.4	98.4

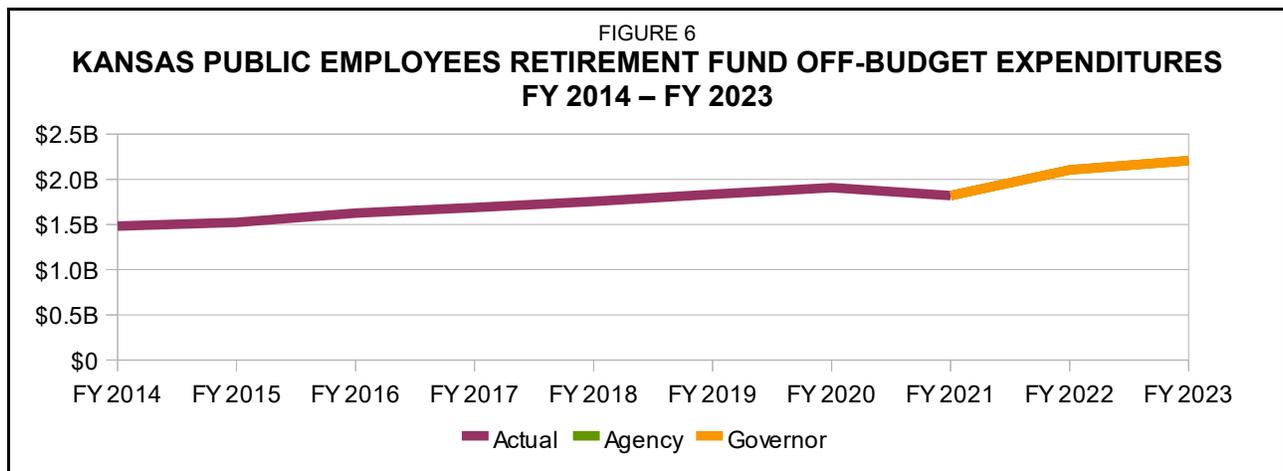
KANSAS PUBLIC EMPLOYEES RETIREMENT FUND



KSA 74-4902 and KSA 74-4921 establish the Kansas Public Employees Retirement Fund for the payment of expenses 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 14.23 percent in FY 2021 and 14.09 percent for FY 2022. The FY 2021 employer contribution rate reflects the full actuarial required contribution (ARC) rate. The local employer rate is 8.87 percent in calendar year (CY) 2021 and 8.90 percent for CY 2022. Local employers have been contributing the full actuarial rate since CY 2015 and are scheduled to pay the full actuarial required contribution rate in CY 2021 and for CY 2022.

In addition to regular employer contributions, the State is in the process of making additional payments on delayed contributions from FY 2017 and FY 2019. The delayed contributions were approved by the 2017 Legislature and include \$64.0 million for FY 2017 and \$194.0 million for FY 2019, to be repaid on a level-dollar amortization over 20 years. Additional payments include \$6.4 million per year through FY 2038 and \$19.4 million through FY 2040.



During recent years, the Legislature has taken action to increase state and local employer contributions to provide enhanced resources for the long-term financing of KPERS. In 2004, the Legislature authorized issuance of \$500.0 million in pension obligation bonds to be repaid from the State General Fund (SGF) in order to augment state employer contributions. In 2015, the Legislature authorized issuance of \$1.0 billion in pension obligation bonds, and in 2021, the Legislature authorized issuance of another \$500.0 million in such bonds.. The pension obligation bonds are reflected in the Department of Administration’s budget rather than in the KPERS budget.

At a 7.75 percent assumed rate of return, KPERS estimates investment earnings totaling \$1.93 billion in FY 2022 and \$2.08 billion for FY 2023. Total combined employee and employer contributions for pension, death and disability, and optional group life insurance are estimated to be \$2.06 billion in FY 2022 and \$1.59 billion for FY 2023. This reflects the employer contribution adjustment set by 2021 SB 159, which includes a State/School contribution rate of 13.33 percent in FY 2022 and 13.11 percent for FY 2023. Those rates were adjusted based on the assumption that the pension funding bonds would be sold during CY 2021 and applied the additional assets to the FY 2022 employer contribution rates.

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 employer contribution rate is scheduled to be 1.0 percent for FY 2021 through FY 2023. The Governor’s July 2020 allotment included a full-year moratorium on state/school employer contributions to the Group Insurance Reserve Fund in FY 2021.

FY 2022 ANALYSIS

FIGURE 7
SUMMARY OF BUDGET REQUEST, FY 2022

	SGF	Special Revenue Funds	All Funds	FTE
Legislative Approved:				
Amount Approved by 2021 Legislature	\$ -	\$ 60,555,156	\$ 60,555,156	98.4
1. No Changes	-	-	-	--
<i>Subtotal—Legislative Approved</i>	\$ -	\$ 60,555,156	\$ 60,555,156	98.4
Agency Revised Estimate:				
2. Investment Fees and Expenses	\$ -	\$ 2,529,613	\$ 2,529,613	--
3. All Other Adjustments	-	28,572	28,572	--
<i>Subtotal—Agency Revised Estimate</i>	\$ -	\$ 63,113,341	\$ 63,113,341	98.4
Governor's Recommendation:				
4. No Changes	\$ -	\$ -	\$ -	--
TOTAL	\$ -	\$ 63,113,341	\$ 63,113,341	98.4

LEGISLATIVE APPROVED

The 2021 Legislature approved \$60.6 million in expenditures and 98.4 FTE positions for the Kansas Public Employees Retirement System for FY 2022.

1. **NO CHANGES.** Subsequent to the 2021 Session, no changes were made to the \$60.6 million appropriated to the Kansas Public Employees Retirement System for FY 2022.

AGENCY ESTIMATE

The **agency** submits a revised estimate of \$63.1 million in expenditures and 98.4 FTE positions in FY 2022, including \$62.2 million from the Kansas Public Employees Retirement Fund. This represents an increase of \$2.6 million, or 4.2 percent, above the amount approved by the 2021 Legislature. The revised estimate includes the following adjustments:

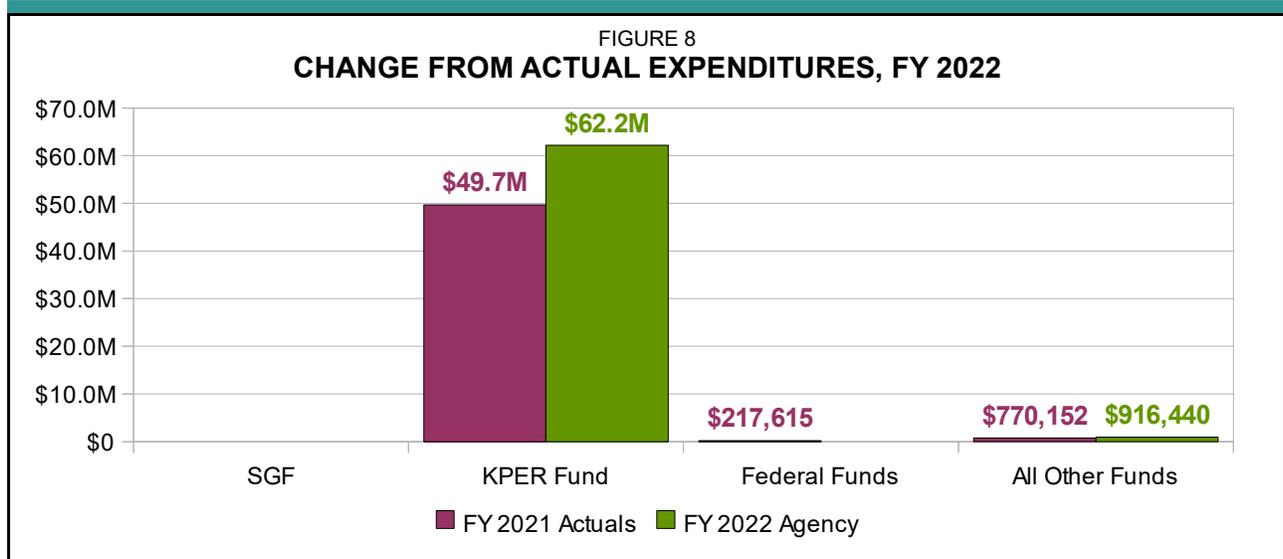
2. **INVESTMENT FEES AND EXPENSES.** The revised estimate includes an increase of \$2.6 million in expenditures from the Kansas Public Employees Retirement Fund for investment management expenses. Each year, the submitted budget assumes a 7.75 percent return, with associated investment management expenses. When the system's investment portfolio experiences higher returns, investment-related expenses also increase.
3. **ALL OTHER ADJUSTMENTS.** The revised estimate also includes an increase of \$28,572 for a variety of other expenditures, including regular and temporary pay in the Deferred Compensation (\$19,529) and Death and Disability (\$10,886) programs, partially offset by lower estimated travel expenses (\$4,000).

GOVERNOR'S RECOMMENDATION

The **Governor** concurs with the agency's revised estimate and recommends \$63.1 million in expenditures and 98.4 FTE positions in FY 2022.

4. **NO CHANGES.** The Governor does not recommend any changes to the agency's revised estimate in FY 2022.

FY 2022 CHANGE FROM ACTUAL EXPENDITURES



The **agency** submits a revised estimate of \$63.1 million in expenditures and 98.4 FTE positions in FY 2022, including \$62.2 million from the Kansas Public Employees Retirement Fund. This represents an increase of \$12.4 million, or 24.5 percent, above FY 2021 actual expenditures, largely due to the following items:

- PENSION ADMINISTRATION SYSTEM MODERNIZATION.** The 2021 Legislature added \$6.6 million for expenditures related to the modernization of the Pension Administration System in FY 2022. These expenditures include integrating and automating portions of the system (\$3.8 million), data management and governance (\$1.0 million), temporary staffing (\$789,000), establishing a contingency fund (\$389,708), creating a member web portal (\$359,200), information technology support (\$272,800), and residual expenditures for technical and infrastructure groundwork necessary for the modernization project (\$24,000).
- INVESTMENT FEES AND EXPENSES.** The revised estimate includes a \$5.5 million increase in expenditures from the Kansas Public Employees Retirement Fund for investment management expenses, which are based on performance of investments. Each year, the submitted budget assumes a 7.75 percent return, with associated investment management expenses. When the system's investment portfolio experiences higher returns, investment-related expenses also increase.

FY 2023 ANALYSIS

FIGURE 9
SUMMARY OF BUDGET REQUEST, FY 2023

	SGF	Special Revenue Funds	All Funds	FTE
Agency Revised Estimate, FY 2022	\$ -	\$ 63,113,341	\$ 63,113,341	98.4
Agency Request:				
1. Pension Administration System	\$ -	\$ 2,596,533	\$ 2,596,533	--
2. Investment Fees and Expenses	-	1,793,882	1,793,882	--
3. All Other Adjustments	-	176,670	176,670	--
<i>Subtotal—Agency Request</i>	\$ -	\$ 67,680,426	\$ 67,680,426	98.4
Governor's Recommendation:				
4. No Changes	\$ -	\$ -	\$ -	--
TOTAL	\$ -	\$ 67,680,426	\$ 67,680,426	98.4

AGENCY REQUEST

The **agency** requests \$67.7 million in expenditures and 98.4 FTE positions for FY 2023, including \$66.8 million from the Kansas Public Employees Retirement Fund. This represents an increase of \$4.6 million, or 7.2 percent, above the agency's revised estimate in FY 2022. The agency request includes the following adjustments:

- PENSION ADMINISTRATION SYSTEM.** The request includes an increase of \$2.6 million in expenditures for modernization of the pension administration system. For FY 2023, the agency has budgeted \$9.2 million for the project, with increased costs included for contractual expenditures with the company Sagitec as it develops the new system. Major efforts include employer web portal updates, administration system upgrades, business process management, data profiling and cleaning, and development of the member web portal.
- INVESTMENT FEES AND EXPENSES.** The request includes an increase of \$1.8 million in expenditures from the Kansas Public Employees Retirement Fund for investment management expenses. Each year, the submitted budget assumes a 7.75 percent return, with associated investment management expenses. When the system's investment portfolio experiences higher returns, investment-related expenses also increase.
- ALL OTHER ADJUSTMENTS.** The request also includes an increase of \$176,670 for a variety of other expenditures, including for the repair and servicing of the agency's computer system (\$57,880) and higher travel and subsistence costs as staff travel adjusts upward after being suppressed during the COVID-19 pandemic (\$59,000).

GOVERNOR'S RECOMMENDATION

The **Governor** concurs with the agency request and recommends \$67.7 million in expenditures and 98.4 FTE positions for FY 2023.

- NO CHANGES.** The Governor does not recommend any changes to the agency request for FY 2023.

SPECIAL TOPICS

TOPIC 1

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 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 the KPERS 2 and KPERS 3 plans, which required moving to pay period reporting for employee and employer contributions. The agency indicates that while the existing system is still capable of executing mission-critical processes, it has nonetheless become less efficient and unstable over time, due to the implementation of required customizations.

In 2020, KPERS engaged in a request for proposal for a complete business assessment of KPERS and the current pension administration system, which was completed by The Segal Group. 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 has 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. The project selected would update the existing member annual statement process to make it more automated, provide flexibility in controls to KPERS business units, and decrease dependence on IT developers.

In 2021, Sagitec completed the "proof of concept" project, and KPERS elected to retain Sagitec as the project vendor. Because of the extensive customization of the existing base system, it has been decided that the new pension administration system will be based on a new base platform using Sagitec's platform, NeoSpin. KPERS indicates the total cost of this approach will be similar to the estimate of hiring a new vendor to implement a replacement pension administration system.

For FY 2022 and FY 2023, KPERS budget estimates are based on the plan to implement a new pension administration system, shifting operations from the current system over time. During this time, the agency will incur an increase in contractual services expenditures, as most of the work will be completed by Sagitec. KPERS indicates there will be staffing positions that are back-filled to allow for internal staff to focus on the modernization project; however, those positions will be contract positions until necessary staffing levels are determined later in the project. In **FY 2022**, the agency anticipates expending \$6.6 million for modernization, which is the same as the amount approved by the 2021 Legislature. Those expenditures will primarily involve setting requirements, design, and business process improvements. For **FY 2023**, the agency anticipates expending \$9.2 million for modernization. The increase is primarily for contractual expenditures with Sagitec as it develops the new system. Major efforts include employer web portal updates, administration system upgrades, business process management, data profiling and cleaning, and development of the member web portal. Prospectively, the agency anticipates about \$9.0 million in project costs for **FY 2024** and **FY 2025**, before tapering off in **FY 2026** as the modernization project nears completion.

PROGRAM AND PERFORMANCE MEASURES OVERVIEW

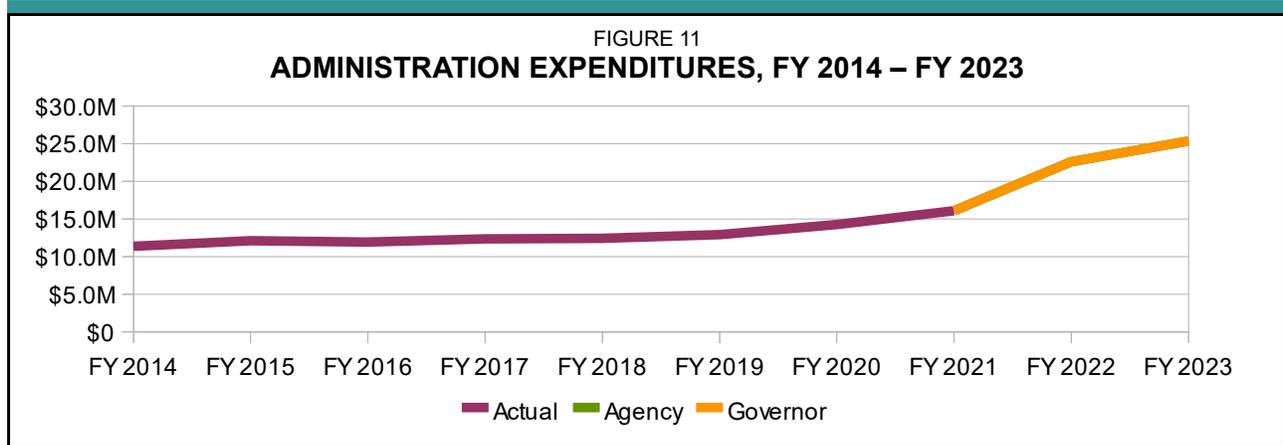
FIGURE 10
EXPENDITURES AND FTE POSITIONS BY PROGRAM, FY 2021 – FY 2023

Programs	Actual FY 2021	Agency FY 2022	Governor FY 2022	Agency FY 2023	Governor FY 2023
Expenditures:					
Administration	\$ 16,061,878	\$ 22,578,549	\$ 22,578,549	\$ 25,348,171	\$ 25,348,171
KPERS Investments	33,853,772	39,618,352	39,618,352	41,412,234	41,412,234
Deferred Comp.	451,773	581,216	581,216	584,810	584,810
Death and Disability	318,379	335,224	335,224	335,211	335,211
TOTAL	\$ 50,685,802	\$ 63,113,341	\$ 63,113,341	\$ 67,680,426	\$ 67,680,426
FTE Positions:					
Administration	83.1	83.1	83.1	83.1	83.1
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	98.4	98.4	98.4	98.4

PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness.

ADMINISTRATION



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 12
ADMINISTRATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Annual Cost of Administrative Operations as a Percentage of Trust Fund Assets*	0.068 %	0.063 %	0.064 %	0.085 %	0.088 %
2. Annual Cost of Administrative Operations as a Percentage of Benefit Payments	0.767 %	0.786 %	0.752 %	1.073 %	1.149 %
Financing					
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	1,429	217,615		-	-
All Other Funds	14,223,365	15,844,263		22,578,549	25,348,171
TOTAL	\$ 14,224,794	\$ 16,061,878		\$ 22,578,549	\$ 25,348,171
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	10.4 %	12.9 %		40.6 %	12.3 %
FTE Positions	83.8	83.1		83.1	83.1

* The Office of the Governor does not utilize this measure for evaluation purposes.

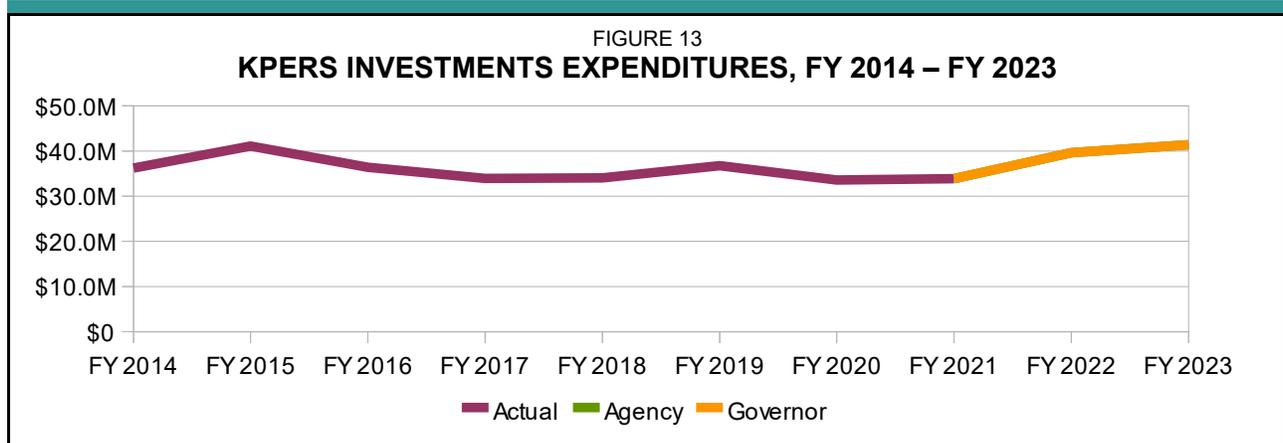
BUDGET ANALYSIS

The **agency** requests \$25.3 million in expenditures and 83.1 FTE positions for the Administration program for FY 2023. This represents an increase of \$2.8 million, or 12.3 percent, above the agency's revised estimate in FY 2022. The change is primarily due to a \$3.3 million increase for additional staffing for modernization of the pension administration system. The agency anticipates filling these positions with contract personnel, subsequently

determining if those positions will be necessary on an ongoing basis. The increase is partially offset by a \$665,117 decrease in repair and servicing expenditures for the agency's computer systems.

The **Governor** concurs with the agency request and recommends \$25.3 million in expenditures and 83.1 FTE positions for the Administration program for FY 2023.

KPERS INVESTMENTS



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

PROGRAM GOALS: • Prudently manage the investments of the KPERS Trust Fund.

The KPERS Investments program coordinates investment-related activities, including 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. This unit is supervised by the Chief Investment Officer, who reports to the Executive Director. KPERS staff charge a portion of their time and operating expenditures for non-KPERS investment management in order to secure reimbursement for managing investments of the State's Unclaimed Property

Fund and the Kansas Endowment for Youth Fund.

In FY 2021, the system's rate of return totaled 26.3 percent, which is more than the Policy Index return of 25.0 percent. However, KPERS indicates that, as interest rates remain at historic lows, the Meketa Investment Group's Capital Market Assumptions have declined and now forecast a 6.0 percent total expected return for the system's investment portfolio over the next ten years.

FIGURE 14
KPERS INVESTMENTS, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measure:					
1. Investment-Related Fees as a Percentage of Trust Fund Assets	0.159 %	0.133 %	0.150 %	0.148 %	0.144 %
2. KPERS Portfolio Rate of Return	2.1 %	26.3 %	11.3 %	7.8 %	7.8 %
Financing					
	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	33,580,465	33,853,772		39,618,352	41,412,234
TOTAL	\$ 33,580,465	\$ 33,853,772		\$ 39,618,352	\$ 41,412,234
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(8.6) %	0.8 %		17.0 %	4.5 %
FTE Positions	9.3	9.4		9.4	9.4

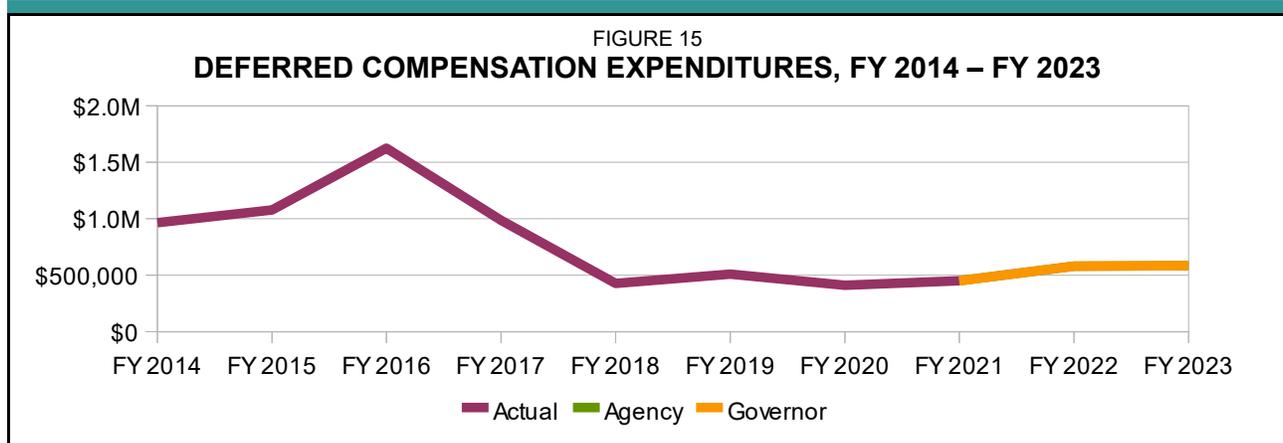
BUDGET ANALYSIS

The **agency** requests \$41.4 million in expenditures and 9.4 FTE positions for the KPERS Investments program for FY 2023. This represents an increase of \$1.8 million, or 4.5 percent, above the agency's revised estimate in FY 2022. The increase is primarily due to investment management expenses on the \$26.0 billion in total trust fund assets.

Investment expense projections are developed using the market value of the portfolio on June 30, 2021, and an assumed 7.75 percent actuarial investment return, less benefit, investment, and administrative expenses.

The **Governor** concurs with the agency request for FY 2023.

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.
- Prudently manage the investments of the KPERS Trust Fund (pension plan) and group insurance reserve fund (death and disability plan).
- 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.

The 2007 Legislature transferred administration of the program from the Department of Administration to KPERS. The KPERS Board of Trustees is assigned responsibility to administer the plan. The Director of Accounts and Reports retains responsibility for payroll deferrals and deductions for state employees who participate in the plan. The Administrative Oversight Committee on Deferred Compensation was abolished and the KPERS Board of Trustees assumed the responsibilities of monitoring the plan. Local units of government also are authorized for their employees to participate in the program. Only the administrative cost portion of this program is 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 KPERS Board of Trustees created a Deferred Compensation Committee to oversee administration of the Plan and make recommendations to the full Board for consideration and action. The oversight and recommendations relate to management of plan assets, selection and monitoring of investment options, and selection and evaluation of service providers. KPERS staff manages operations in conjunction with the plan's service provider, Empower. Empower is responsible for participant account record keeping and direct services, such as enrollments, phone inquiries, and investment transactions.

Total plan assets increase from \$1.02 billion in March 2020 to \$1.39 billion in March 2021. Of that amount, \$930.0 million was in assets of state employees and \$462.0 million was in assets of local government employees. Additionally, the number of actively deferring participants increased from 13,083 in March 2020 to 13,303 in March 2021.

FIGURE 16
DEFERRED COMPENSATION, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
Outcome Measures:					
1.Total Actively Deferring Members*	13,280	13,068	13,165	N/A	N/A
2.Percent of Active Members from Participating Employers in All Retirement Systems*	23 %	23 %	23 %	N/A	N/A
3.Total KPERS 457 Plan Assets (in Billions)*	\$ 1.17	\$ 1.46	\$ 1.26	N/A	N/A
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	410,980	451,773		581,216	584,810
TOTAL	<u>\$ 410,980</u>	<u>\$ 451,773</u>		<u>\$ 581,216</u>	<u>\$ 584,810</u>
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	(4.6) %	9.9 %		28.7 %	0.6 %
FTE Positions	2.6	2.6		2.6	2.6

* The Office of the Governor does not utilize this measure for evaluation purposes.

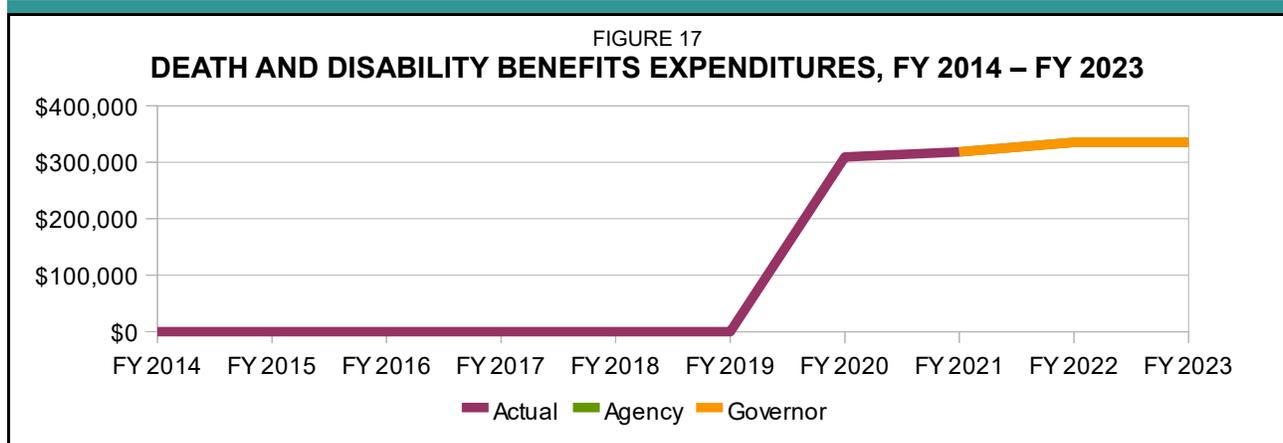
BUDGET ANALYSIS

The **agency** requests \$584,810 in expenditures and 2.6 FTE positions for the Deferred Compensation program for FY 2023. This represents an increase of \$3,594, or 0.6 percent, above the agency's revised estimate in FY 2022, largely due to a \$4,000 increase in

travel and subsistence expenses as staff travel adjusts from reductions during the COVID-19 pandemic.

The **Governor** concurs with the agency request for FY 2023.

DEATH AND DISABILITY BENEFITS



*Staff Note: Prior to FY 2020, reportable expenditures for this program were included 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.

Since 1966, the Death and Disability Benefits program has provided death and disability benefits for active KPERS members and unclassified employees of the Board of Regents and its institutions. Employers currently 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 may choose to purchase optional term life insurance on an individual basis. The 2005 Legislature adopted a number of changes in the program in order to make it self-sustaining on a pay-as-you-go basis, including an increase in

the employer contribution rate from 0.6 percent to 1.0 percent, effective in FY 2007.

To carry out the legislative intent to provide, within the funds made available, the broadest possible coverage, the KPERS Board of Trustees may adjust the plan from time to time. KPERS contracts with the insurance company The Standard to underwrite the group life insurance benefits. Disability Management Services, Inc. is the third-party administrator for the disability program. In FY 2020, more than \$45.5 million in insurance premiums and disability payments were made.

FIGURE 18

DEATH AND DISABILITY BENEFITS, PERFORMANCE MEASURES

	Actual FY 2020	Actual FY 2021	Actual 3-Year Avg.	Target FY 2022	Target FY 2023
There are no performance measures submitted for this program.					
Financing	Actual FY 2020	Actual FY 2021		Governor FY 2022	Governor FY 2023
SGF	\$ -	\$ -		\$ -	\$ -
Federal Funds	-	-		-	-
All Other Funds	309,331	318,379		335,224	335,211
TOTAL	\$ 309,331	\$ 318,379		\$ 335,224	\$ 335,211
Percentage Change:					
SGF	-- %	-- %		-- %	-- %
All Funds	-- %	2.9 %		5.3 %	(0.0) %
FTE Positions	2.6	3.3		3.3	3.3

Staff Note: Prior to FY 2020, reportable expenditures for this program were included in the Administration program.

BUDGET ANALYSIS

The **agency** requests \$335,211 in expenditures and 3.3 FTE positions for the Death and Disability Benefits program for FY 2023. This represents a decrease of \$13, or less than 0.1 percent, below the agency's revised estimate in FY 2022. The decrease is largely due to lower expenditures for unemployment compensation (\$892) and

employer contributions to the public employees retirement system (\$557), partially offset by higher expenditures for group health insurance (\$1,422).

The **Governor** concurs with the agency request for FY 2023.