

SESSION OF 2022

SUPPLEMENTAL NOTE ON SENATE BILL NO. 523

As Amended by Senate Committee on Ways
and Means

Brief*

SB 523, as amended, would authorize the transfer of \$1.0 billion from the State General Fund (SGF) to the Kansas Public Employees Retirement System (KPERs) Trust Fund in four scheduled payments. Of that amount, \$600.0 million would be transferred in FY 2022 in two installments—\$300.0 million on the effective date of the bill and \$300.0 million on June 1, 2022. The remaining \$400.0 million would be transferred in FY 2023 in two installments, both subject to approval from the State Finance Council—\$200.0 million on October 1, 2022, and \$200.0 million on January 1, 2023. The bill would also amend law pertaining to certified employer contribution rates to reduce the FY 2023 employer contribution rate from 13.11 percent to 12.22 percent and establish the FY 2024 rate of 11.08 percent.

The bill would be in effect upon publication in the *Kansas Register*.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Billinger.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Senate Committee on Ways and Means

In the Senate Committee hearing on March 3, 2022, the Executive Director of KPERS, appearing on behalf of the KPERS Board of Trustees, testified as a **proponent**, indicating the addition of \$1.0 billion across two fiscal years would decrease the unfunded actuarial liability for the KPERS State/School Group by \$1.0 billion from the current projection (\$4.43 billion) to the calendar year (CY) 2023 actuarial valuation (\$3.41 billion). The Executive Director stated the funded ratio for the KPERS Trust Fund would increase from its baseline of 77.4 percent to 80.2 percent in CY 2022 and from 80.4 percent to 84.9 percent in CY 2023. The Executive Director also noted the bill would result in \$422.0 million in total contribution savings in the first five years after transfers are made, from FY 2024 to FY 2028. Proponent testimony was also provided by the State Director of Americans for Prosperity-Kansas.

No other testimony was provided.

The Senate Committee amended the bill to establish rates in the employer contribution rate law at 12.22 percent for FY 2023 and 11.08 percent for FY 2024.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, enactment of the bill would decrease SGF revenue by \$600.0 million in FY 2022 and \$400.0 million for FY 2023. Additionally, the Division of the Budget notes the bill, as introduced, would not incur any changes in expenditures because it does not contain language that would change current certified employer contribution rates for the KPERS State/School Group for FY 2023 and FY 2024. Any fiscal effect associated with the bill is not reflected in *The FY 2023 Governor's Budget Report*.

Retirement; KPERS; employer contribution rates; State Finance Council