



# House Financial Institutions and Pensions

KPERS Overview and Funding

Alan D. Conroy, Executive Director

Desk Phone: 785-296-6880

Cell Phone: 785-213-2117

Email: [aconroy@kspers.gov](mailto:aconroy@kspers.gov)

January 29, 2025



# Covering Today

About Us

KPERS Board of Trustees

KPERS Membership

KPERS Benefits

KPERS Funding



# About Us





# Dependable Benefits. Trusted Partner.

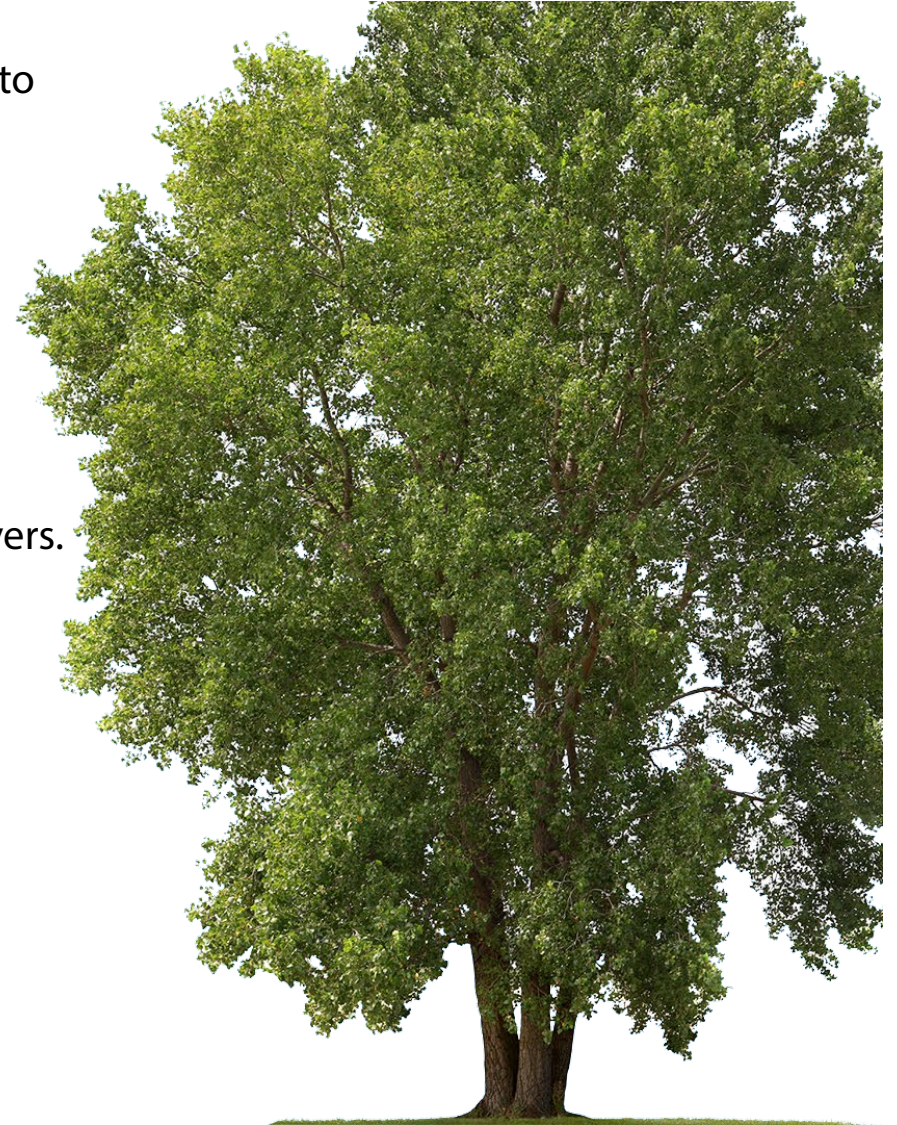
KPERS is a fiduciary providing retirement, disability and survivor benefits to our members and their beneficiaries with a 98-member staff.

KPERS administers three statewide, defined benefit plans for public employees.

- Kansas Public Employees Retirement System
- Kansas Police and Firemen's Retirement System
- Kansas Retirement System for Judges

KPERS partners with more than 1,500 state and local government employers.

- State of Kansas
- 286 school districts
- 105 counties
- 426 cities and townships
- Other employers include libraries, hospitals, community colleges and conservation districts

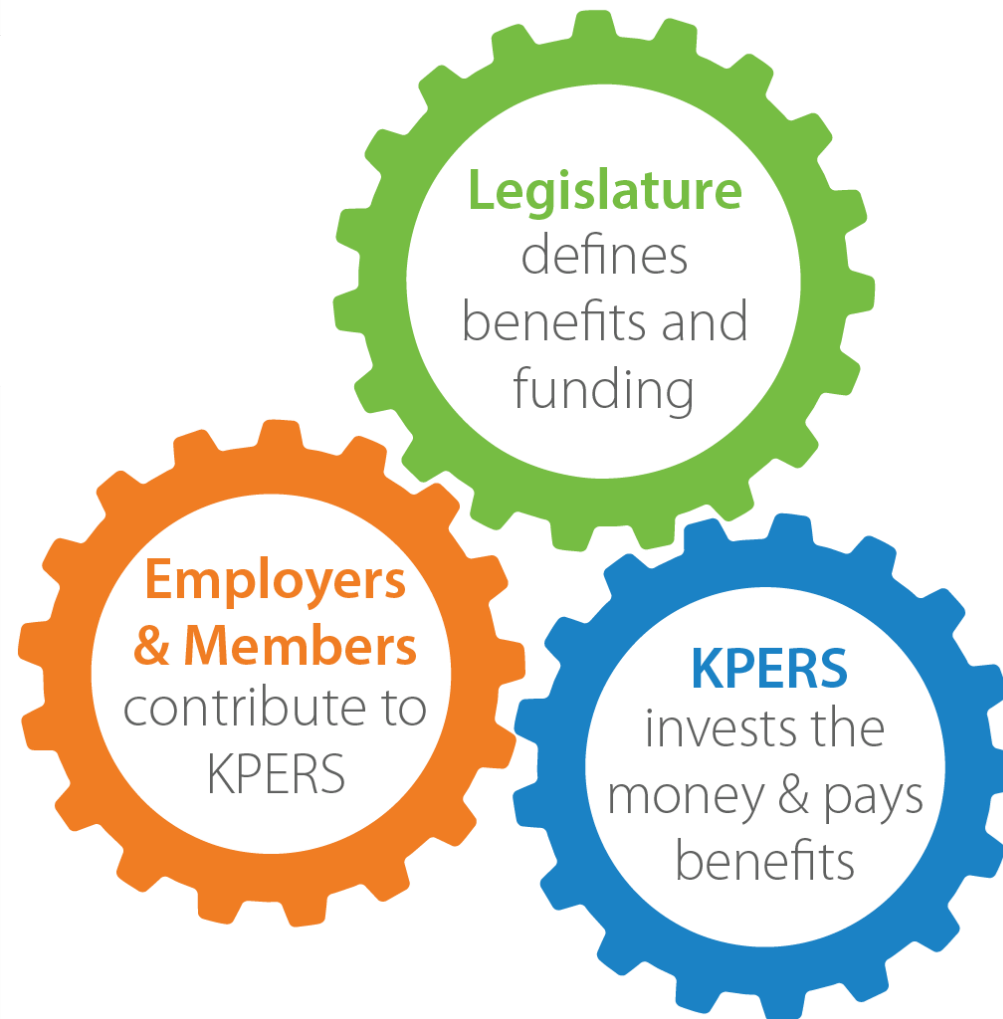


# How to Contact Us

Web Site: [www.kspers.gov](http://www.kspers.gov)  
Info-line: Toll-free – 1-888-275-5737  
Local – 785-296-6166  
  
E-mail: [kspers@kspers.gov](mailto:kspers@kspers.gov)  
  
Fax: 785-296-6638  
  
Mail: 611 S. Kansas Ave., Suite 100  
Topeka KS 66603-3803



# How KPERS Works



# KPERS Administration

KPERS administers the payment of benefits, customer service, collection of contributions and other operations for all three retirement plans.

KPERS also administer the Death and Disability Plan, KPERS 457 deferred compensation plan, and investment of the Treasurer's Unclaimed Property Fund.

KPERS administrative expenditures are funded from the KPERS Trust Fund.

- KPERS does not have a State General Fund appropriation.

KPERS administrative expenses in FY 2025 are estimated to total 1.39% of total benefit payments and only 0.11% of total assets in the Trust Fund.



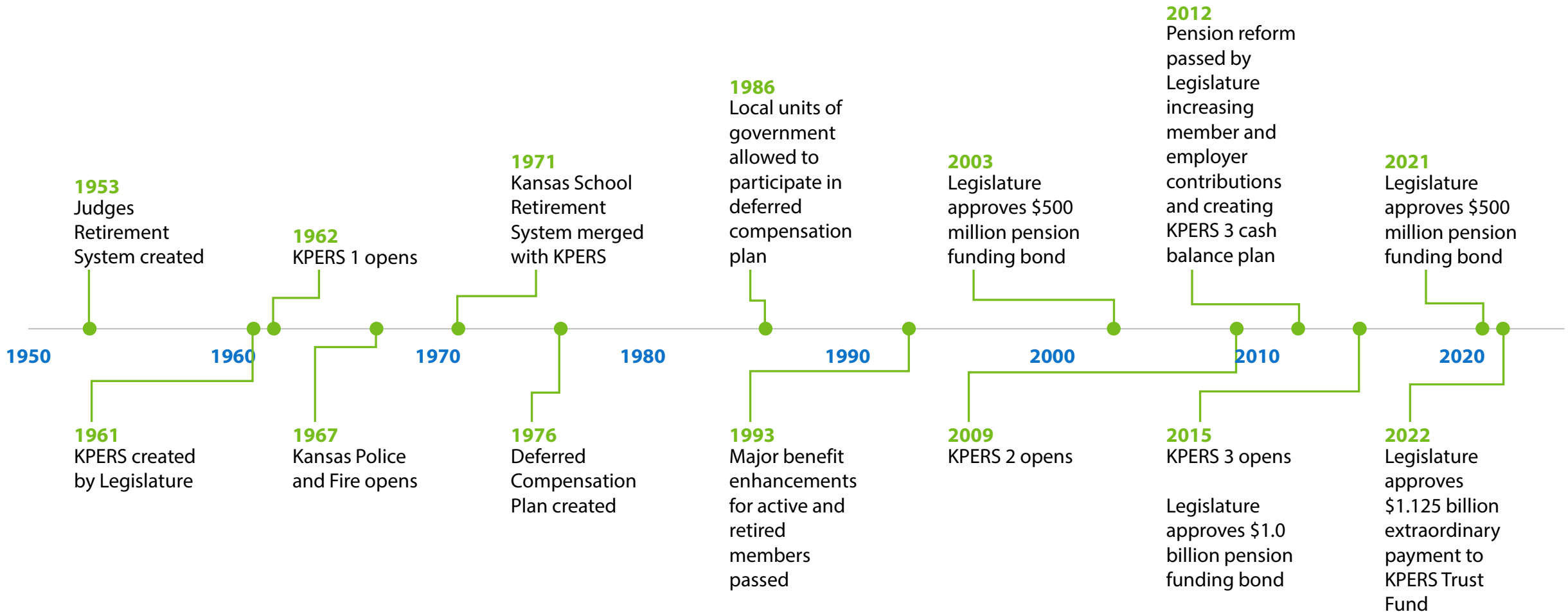
# By the Numbers – in Fiscal Year 2024:

- About 1.4 million retirement benefit payments totaling over \$2.2 billion
- \$33.8 million in life insurance benefits
- \$14.1 million in benefits to 1,600 disabled employees
- 5,100 pension inception
- 38,100 member enrollments and transfers
- 44,400 beneficiary designations processed
- 10,600 members withdrew their contributions totaling \$65.4 million
- Over 100,000 incoming calls
- Over 25,000 e-mail requests





# Major Milestones



# Board of Trustees



# KPERS Board of Trustees

The membership and qualifications of the KPERS Board of Trustees are established in K.S.A. 74-4905.

- 4 appointments by the Governor, subject to Senate confirmation
  - No more than two members of the same political party
- 1 appointment by the President of the Senate
- 1 appointment by the Speaker of the House
- 2 members elected by KPERS members
  - one member from the School group and one non-School member
- The State Treasurer

The six appointed members “shall have demonstrated experience in the financial affairs of a public or private organization or entity which employs 100 or more employees or had at least five years' experience in the field of investment management or analysis, actuarial analysis or administration of an employee benefit plan.”



# KPERS Board of Trustees

<b>James Zakoura – Overland Park, Chairperson</b>	Special Counsel, Foulston Siefkin LLC	Appointed by the Governor
<b>Ernie Claudel – Olathe, Vice Chairperson</b>	Retired Teacher and Administrator	Elected Member - School
<b>Emily Hill – Lawrence</b>	Founding Partner, Bowersock Capital Partners	Appointed by the Governor
<b>Steven Johnson – Assaria</b>	Kansas State Treasurer	Ex Officio Statutory Member
<b>Rich Proehl - Parsons</b>	Retired Banker, Labette Bank	Appointed by the Speaker of the House
<b>Brad Stratton – Overland Park</b>	President, Overland Park Wealth Management	Appointed by the Governor
<b>Ryan Trader – Olathe</b>	Firefighter/Paramedic, City of Olathe	Elected member – Non-School
<b>Sam Williams – Wichita</b>	Retired CFO and Managing Partner, Sullivan, Higdon, and Sink Agency; Former Kansas Secretary of Revenue	Appointed by the President of the Senate
<b>Jo Yun – Prairie Village</b>	Vice President of Finance/Operations and CFO, Reach Healthcare Foundation	Appointed by the Governor



# KPERS Board of Trustees

The Legislature has delegated the administration of the System to the Board of Trustees.

K.S.A. 74-4909 states the KPERS Board of Trustees “shall be responsible for the general administration of the system.”

The statutory duties of the KPERS Board include:

- Appointing officers and employees necessary to administer the System and appoint an Executive Director to oversee the organization.
- Retaining a qualified actuary and adopting necessary actuarial tables.
- Retaining qualified investment counsel.
- Developing rules and regulations necessary to administer the plan.
- Having a complete and adequate system of accounts and records.

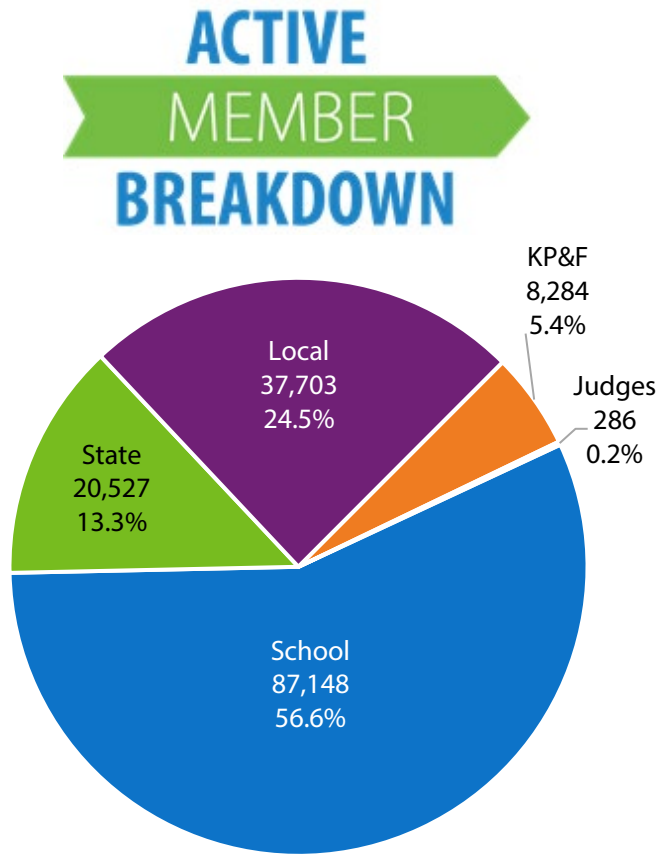




# KPERS Members



# Active Membership on 12/31/2023



Total Active Members – 153,948

KPERS has about 154,000 active members.

- Active members range in age from 16 to 91.

KPERS 3 is the largest group of active members.

- 42,700 active KPERS 1 members
- 22,800 active KPERS 2 members
- 79,900 active KPERS 3 members

The average KPERS members has 10.4 years of service and a salary of about \$51,000.

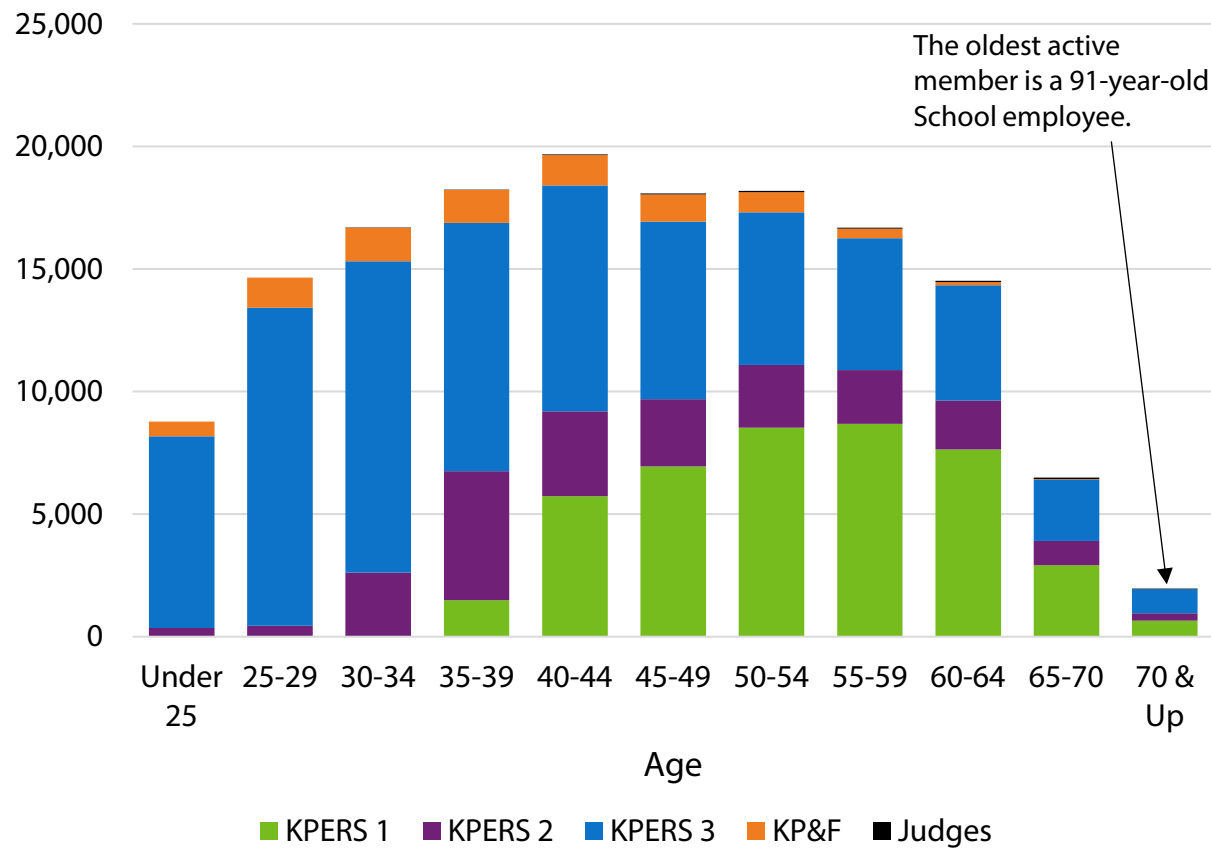
The average KP&F member has 10.4 years of service and a salary of about \$80,000.

The average Judges member has 9.3 years of service and a salary of about \$127,000.

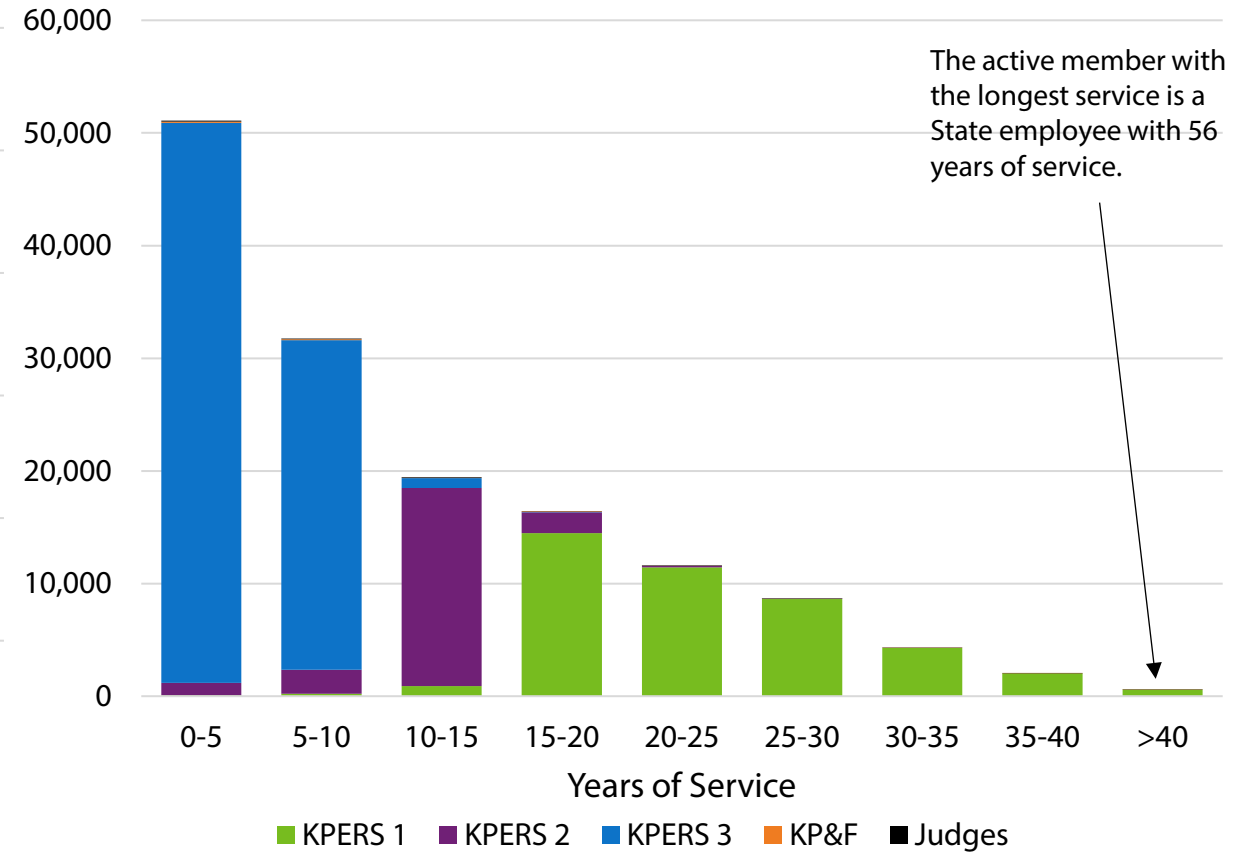


# Active Membership on 12/31/2023

## Age Distribution



## Service Distribution



Total Active Members: 153,948

KPERS 1 – Members before 7/1/2009  
 KPERS 2 – Members between 7/1/2009 and 12/31/2014  
 KPERS 3 – Members since 1/1/2015



# Retired Membership on 12/31/2023

KPERS has more than 116,000 retirees and beneficiaries.

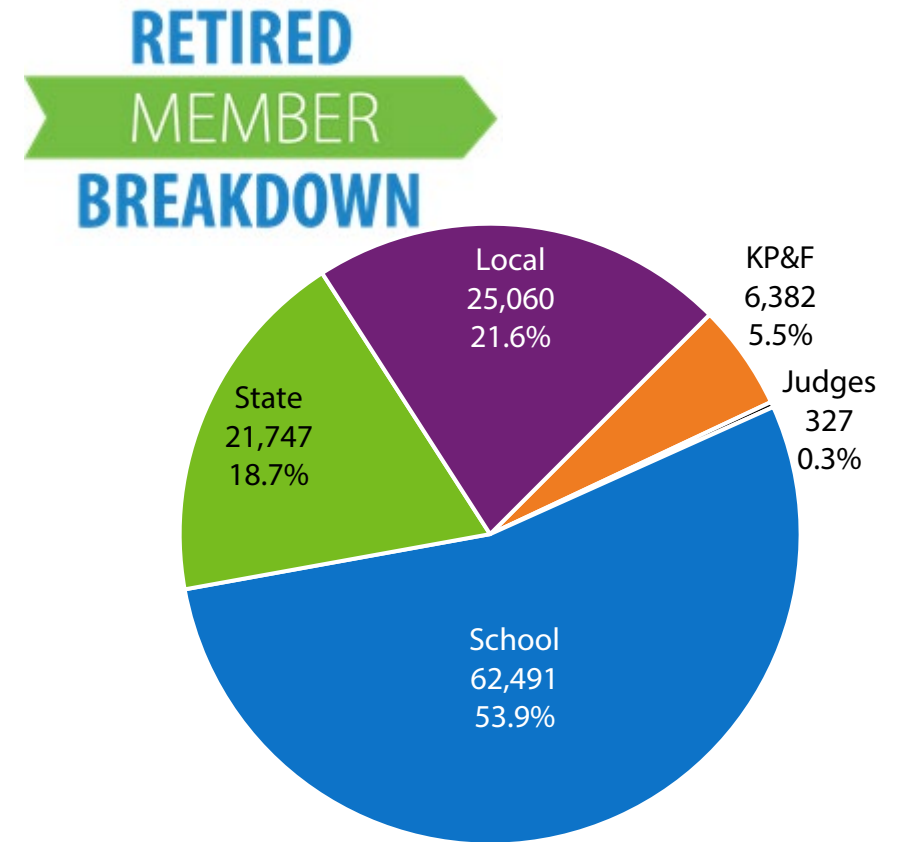
- Retirees range in age from 50 to 109.
- Beneficiaries range in age from 15 to 107.

The average KPERS retiree benefit is about \$16,805 per year (\$1,400 per month).

The average KP&F retiree benefit is about \$42,670 per year (\$3,556 per month).

The average Judges retiree benefit is about \$47,689 per year (\$3,974 per month).

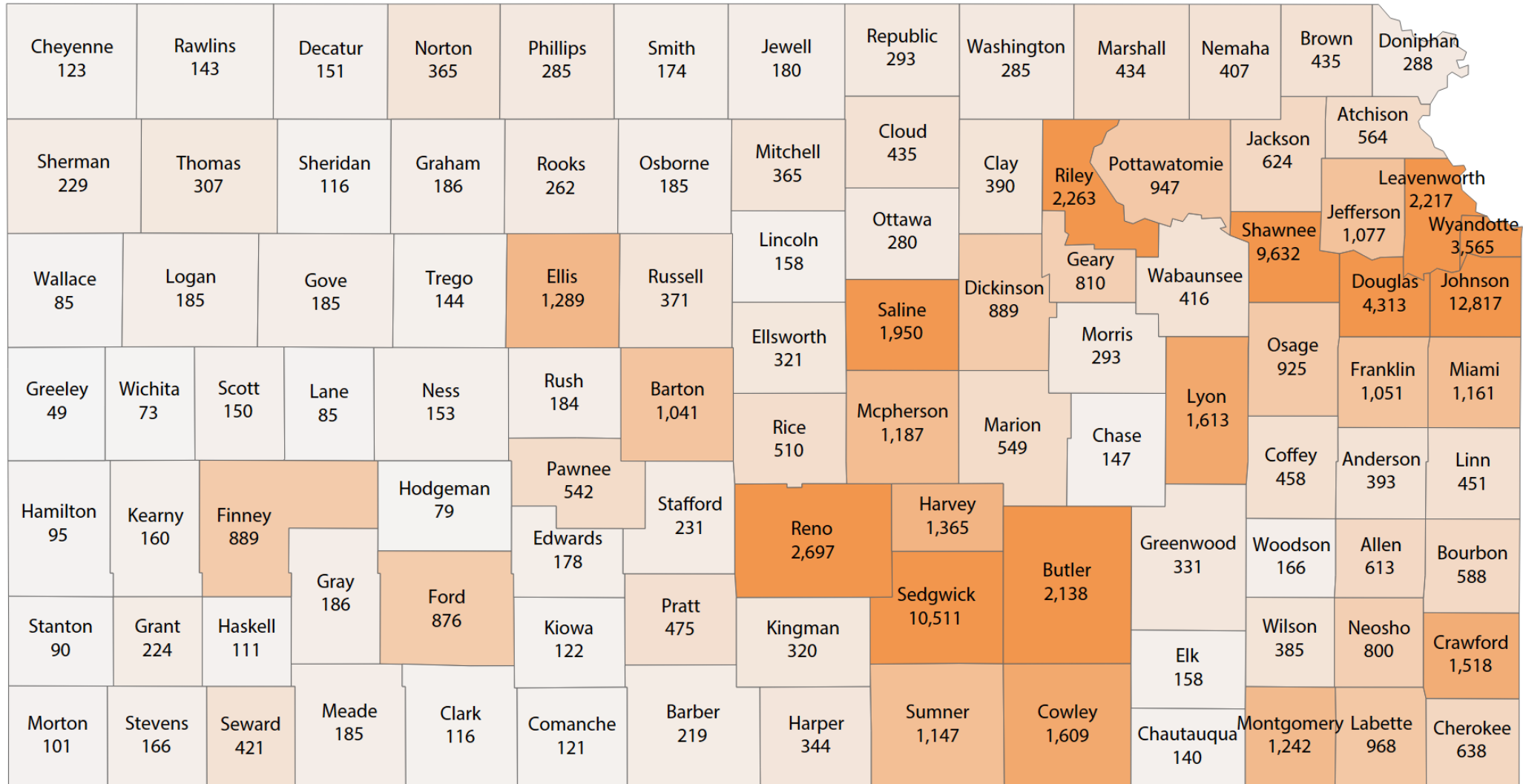
About 88% of retirement benefits are paid to a Kansas address.



Total Retirees and Beneficiaries – 116,007

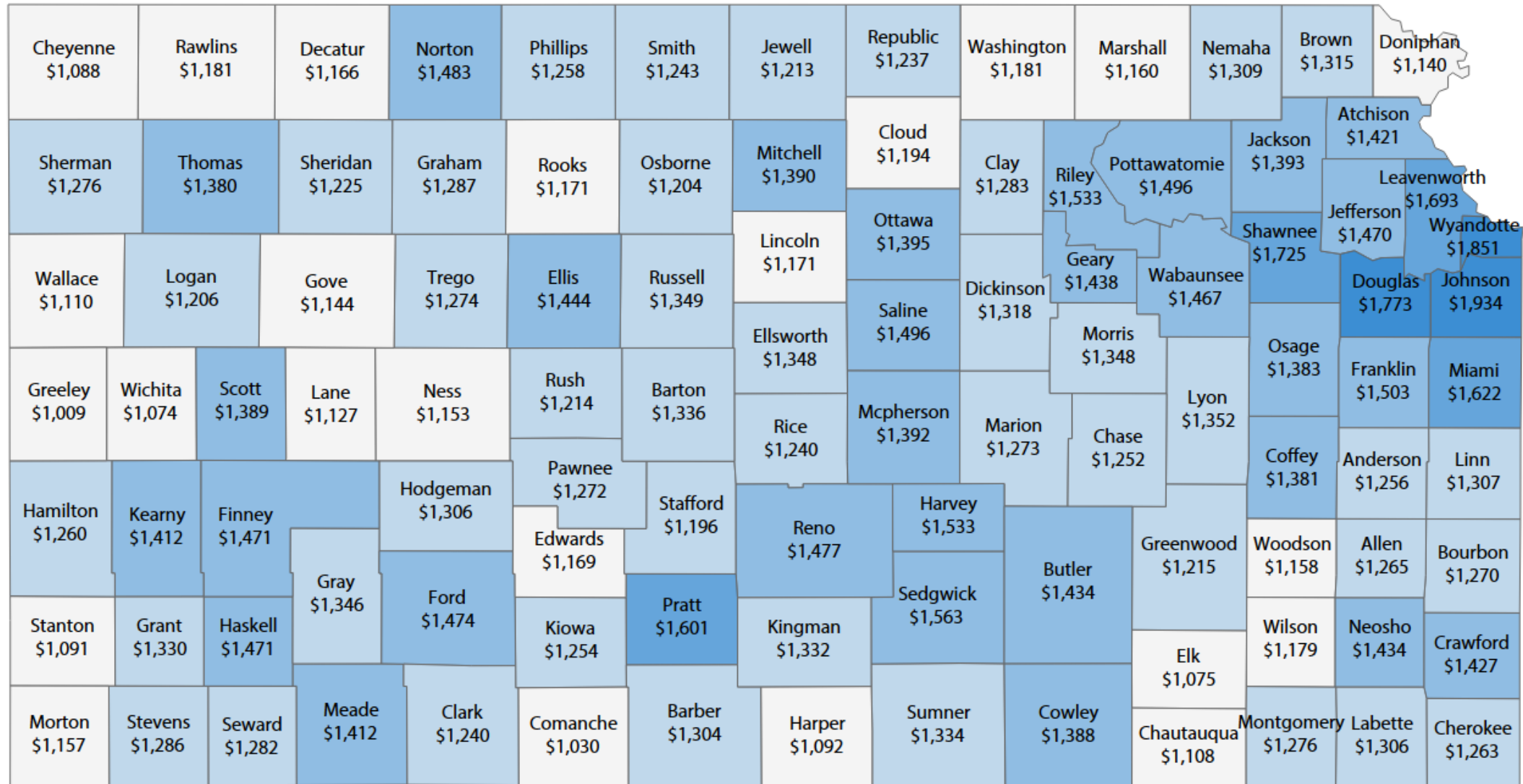


# Number of Retirees in Kansas





# Average Monthly Benefits of Retirees in Kansas



# Benefits



# KPERS Retirement Plans

## KPERS is a qualified 401(a) defined benefit plan under the Internal Revenue Code.

- The Internal Revenue Service (IRS) periodically reviews KPERS' plan design to determine if the plan complies with 401(a) requirements.
- Being a qualified plans allows for certain tax advantages. The primary advantage is that member contributions are “picked up” and excluded from taxable income for federal income taxes.
- Maintaining a qualified status is a consideration for policy issues (e.g., working after retirement, withdrawals).



# KPERS Retirement Plans

## KPERS administers three retirement plans:

1. **KPERS State/School/Local** – The largest of the three retirement plans with more than 1,500 employers and 316,000 active, inactive or retired members. This group covers all state employees, all 105 counties, local school districts, and about 1,100 other local public employers.
2. **Kansas Police and Fire (KP&F)** – This plan covers police officers, firefighters and emergency medical technicians (EMTs) if their employer is affiliated with KP&F. 116 local employers and the State of Kansas offer this plan, covering more than 16,000 active, inactive or retired members.
3. **Judges** – This plan covers all state Judges across Kansas, but not judicial staff. Judges are smallest group with 588 total active, inactive and retired members.



# KPERS Retirement Plans

## Major plan design changes have created retirement plan subgroups.

- KPERS 1 – Members prior to July 1, 2009. This group is closed to new members.
- KPERS 2 – Created through pension reform legislation in 2007. Applies to members from July 1, 2009 through December 31, 2014. Limited group of employees (i.e. corrections officers) can still be enrolled.
- KPERS 3 – Created through pension reform legislation in 2012. Applies to members since January 1, 2015. KPERS 3 is the largest group of active members.
- KP&F Tier 1 – Members prior to July 1, 1989 who did not elect Tier 2 coverage. Only a few hundred tier 1 members remain.
- KP&F Tier 2 – Members since July 1, 1989.





# KPERS Retirement Plans

**All KPERS plans are defined benefit retirement plans, often called pensions.**

- A pension plan is a retirement fund composed of contributions from the employer, employee and with investment earnings.
- At retirement, the member receives guaranteed regular monthly payments from the fund for life.
- Most KPERS plan follow the traditional pension formula:  
**Years of Service X Final Average Salary X Multiplier**
- KPERS 3 is a hybrid Cash Balance plan that uses account balances to determine benefits, but it is still a defined benefit plan.
- Most KPERS members also receive Social Security benefits.



# KPERS Retirement Plans

## Both Employers and Employees contribute to retirement benefits

- Employees pay a statutory contribution rate.
  - 6% for KPERS 1, 2, 3 and Judges
  - 7.15% for KP&F
- Employers contribute an amount calculated annually by the actuary.
  - 11.54% in FY 2025 for KPERS State/School
  - 9.71% in CY 2025 for KPERS Local
  - 23.10% in FY 2025 for KP&F
  - 21.45% in FY 2025 for Judges
- Total KPERS employer contributions paid by the State for state employees and local schools districts in FY 2025 is estimated to be \$655 million.
- KPERS 3 members do not receive the full employer contribution in their notional accounts, they receive pay credits increasing from 3% to 6%, in 1% increments, based on length of service.



## Traditional Defined Benefit Plan

- Membership dates before 7/1/2009
- Final average salary x years of service x multiplier (1.85%)\*
- Final average salary = 3 highest years of salary (if membership date after 7/1/93)
- Vesting = 5 years
- Normal retirement:
  - 85 points (age + years of service)
  - Age 62 with 10 years of service
  - Age 65 with 1 year of service

\*KPERS 1 multiplier is 1.75% for all service prior to 2014.

### 20-year KPERS 1 member

Final average salary	\$60,000
----------------------	----------

Service	20 years
---------	----------

Benefit*	\$21,600 a year
----------	-----------------

\*Calculated using 10 years at 1.75% multiplier and 10 years at 1.85% multiplier.

### 30-year KPERS 1 member

Final average salary	\$60,000
----------------------	----------

Service	30 years
---------	----------

Benefit*	\$32,700 a year
----------	-----------------

\*Calculated using 20 years at 1.75% multiplier and 10 years at 1.85% multiplier.



## 20-year KPERS 2 member

Final average salary	\$60,000
Service	20 years
Benefit	\$22,200 a year

## 30-year KPERS 2 member

Final average salary	\$60,000
Service	30 years
Benefit	\$33,300 a year

## Traditional Defined Benefit Plan

- Membership dates between 7/1/2009 and 1/1/2015
- Final average salary x years of service x multiplier (1.85%)
- Final average salary = 5 highest years of salary
- Vesting = 5 years
- Normal retirement:
  - Age 60 with 30 years of service
  - Age 65 with 5 years of service



# KPERS 3

A cash balance plan is a defined benefit plan with characteristics of a defined contribution (401(k)) plan.

The cash balance plan is more of a “career average” benefit, rather than a benefit based on highest years of salary like a traditional defined benefit.

Risk sharing between the employer and the employee is a key feature of the cash balance plan design.

Cash balance plans reward members who join early in their careers and have years to accrue interest.





# KPERS 3

KPERS 3 members never lose what they put in, they are always fully vested in their own contributions and interest.

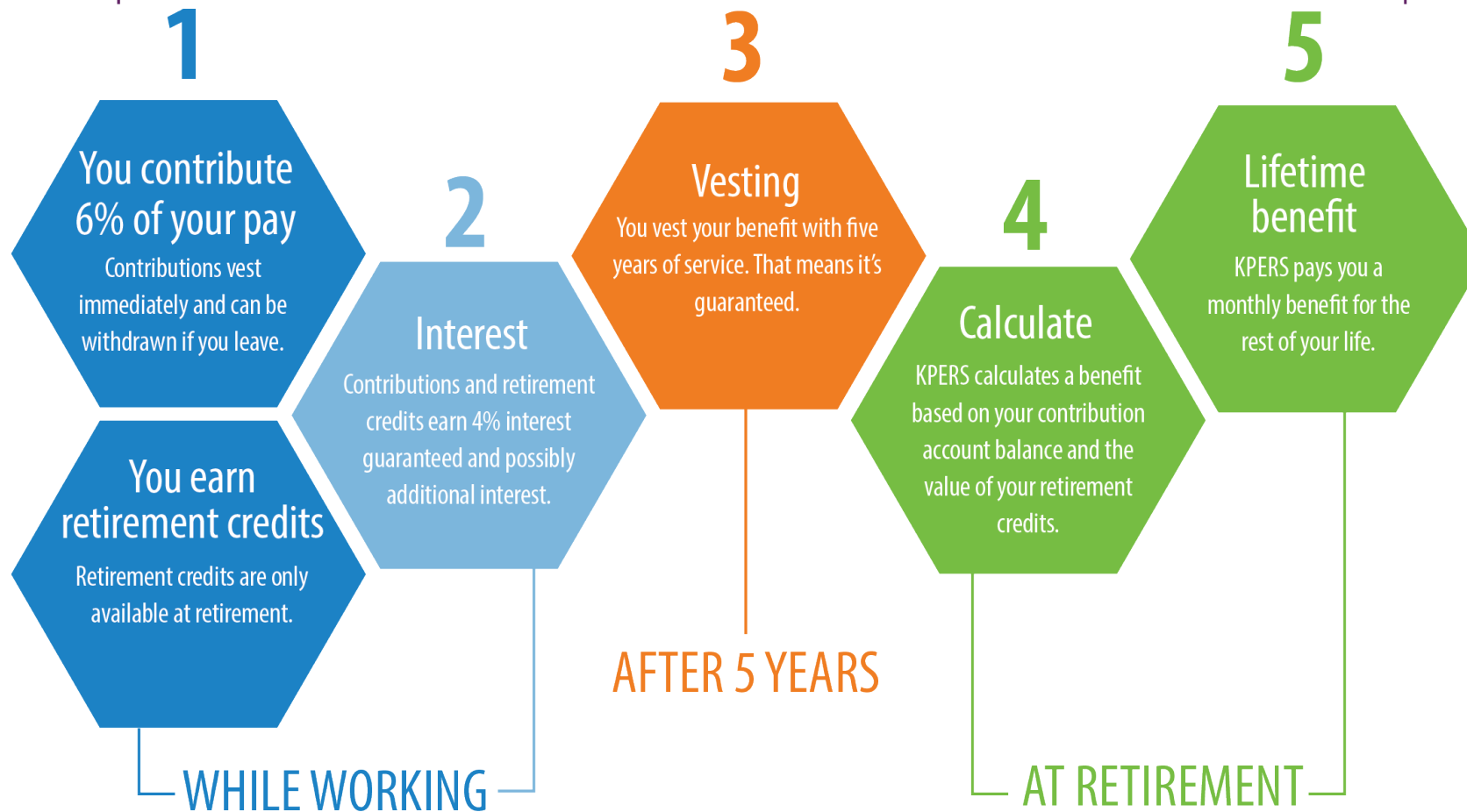
KPERS 3 members are guaranteed at least 4% interest every year.

At retirement, KPERS 3 provides a guaranteed benefit for life.



## KPERS 3 RETIREMENT BENEFITS

### 5 STEPS TO HOW IT WORKS



## 20-year KP&F member

Final average salary	\$75,000
Service	20 years
Benefit	\$37,500 a year

## 30-year KP&F member

Final average salary	\$75,000
Service	30 years
Benefit	\$56,250 a year

## Traditional Defined Benefit Plan

- Final average salary x years of service x multiplier (2.5%)
- Final average salary = 3 highest of last 5 years of salary
- Vesting = 15 years
- Normal retirement:
  - Age 50 with 25 years of service
  - Age 55 with 20 years of service
  - Age 60 with 15 years of service
- Benefits capped at 90% of final average salary (36 years of service)
- Unlike other coverage groups, death and disability benefits are part of the pension plan design.
  - Disability benefits = 50% of final average salary.
  - Death benefits = Surviving spouse received 50% of final average salary or 100% survivor retirement, whichever is greater.



# Judges

## Traditional Defined Benefit Plan

- Final average salary x years of service x multiplier (3.5%)
- Final average salary = 3 highest of last 10 years of salary
- Vesting = Immediate
- Normal retirement:
  - 85 points (age + years of service)
  - Age 62 with 10 years of service
  - Age 65 with 1 year of service
- Benefits capped at 70% of final average salary (20 years of service)

### 10-year Judges Member

Final average salary	\$100,000
Service	10 years
Benefit	\$35,000 a year

### 20-year Judges Member

Final average salary	\$100,000
Service	20 years
Benefit	\$70,000 a year



# KPERS Death and Disability

100% employer funded with 1% of total payroll contribution

Any person unable to perform regular occupation for the first 24 months and unable to perform any occupation after 24 months is entitled to a disability benefit

- Benefit waiting period of 180 days
- Benefits total 60% of compensation at time of disability with a max monthly benefit of \$5,000
- Rehabilitative programs are available to help people return to work without immediately losing all disability benefits

\$6,000 death benefit (increased by the 2024 Legislature from \$4,000)



# Funding



# KPERS Funding

KPERS is funded from three sources.

## Member Contributions

KPERS and Judges members contribute 6% of pay.

KP&F members contribute 7.15% of pay.

## Employer Contributions

Calculated on an actuarial basis each year.

## Investments

Assets are invested according to the "prudent expert standard of care" for the sole purpose of providing benefits to our members.



# Member and Employer Contributions

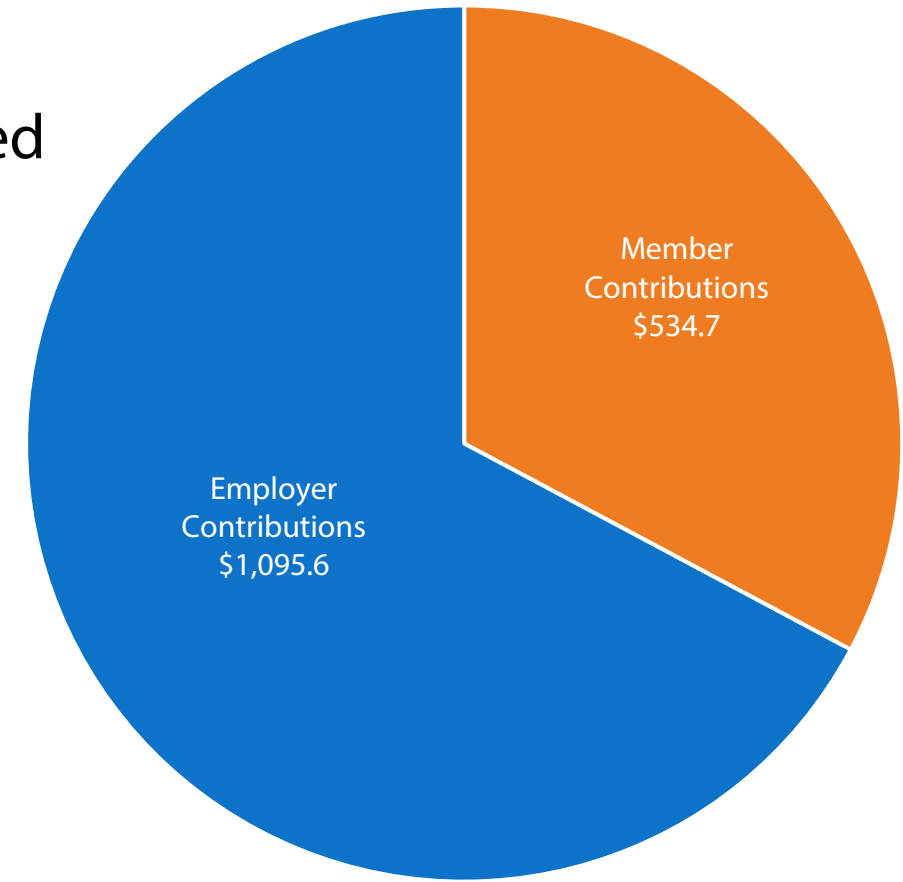
All members contribute towards their retirement benefits.

Employers contribute an actuarial rate required to fund benefits.

In FY 2025, employer contribution rates are:

- State/School – 11.54%
- Local (CY 2025) – 9.71%
- KP&F – 23.10%
- Judges – 21.45%

FY 2024 Member and Employer Contributions  
(in millions)





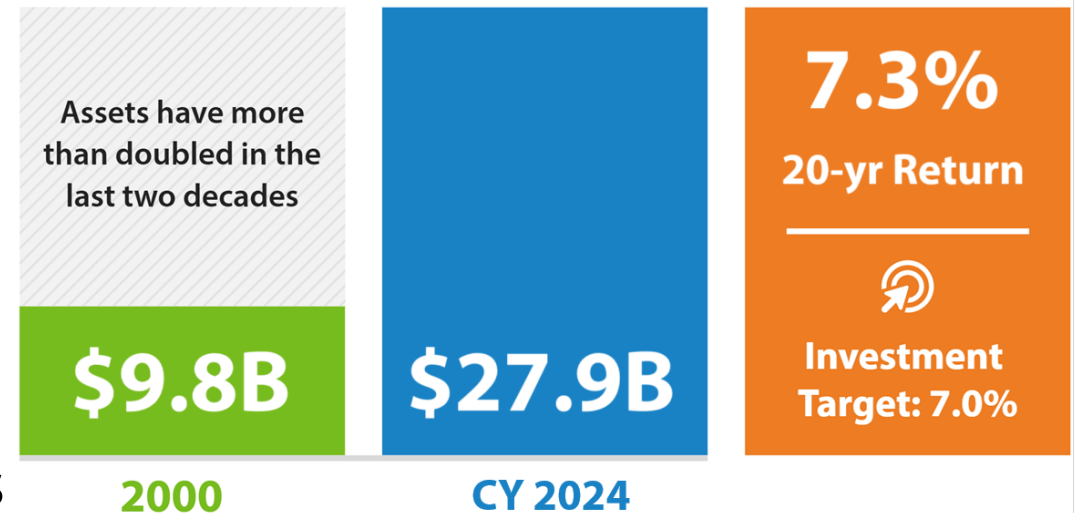
# Investment Policy

Assets are invested according to the "prudent expert standard of care" for the sole purpose of providing benefits to our members.

KPERS Statement of Investment Policy, Objectives and Guidelines serves as a guide to implement broad investment objectives.

The Statement complements KPERS' statutes and documents the principles and standards that guide the management of System assets.

Trust Fund Assets and Investment Returns



# Portfolio Management

Managing KPERS' dynamic and diversified portfolio requires significant investment expertise and experience.

## **KPERS has a three-way partnership to manage the portfolio:**

- KPERS internal investment professionals
- Three investment consultants
- 34 External investment managers

KPERS has investments in 90 private equity funds.

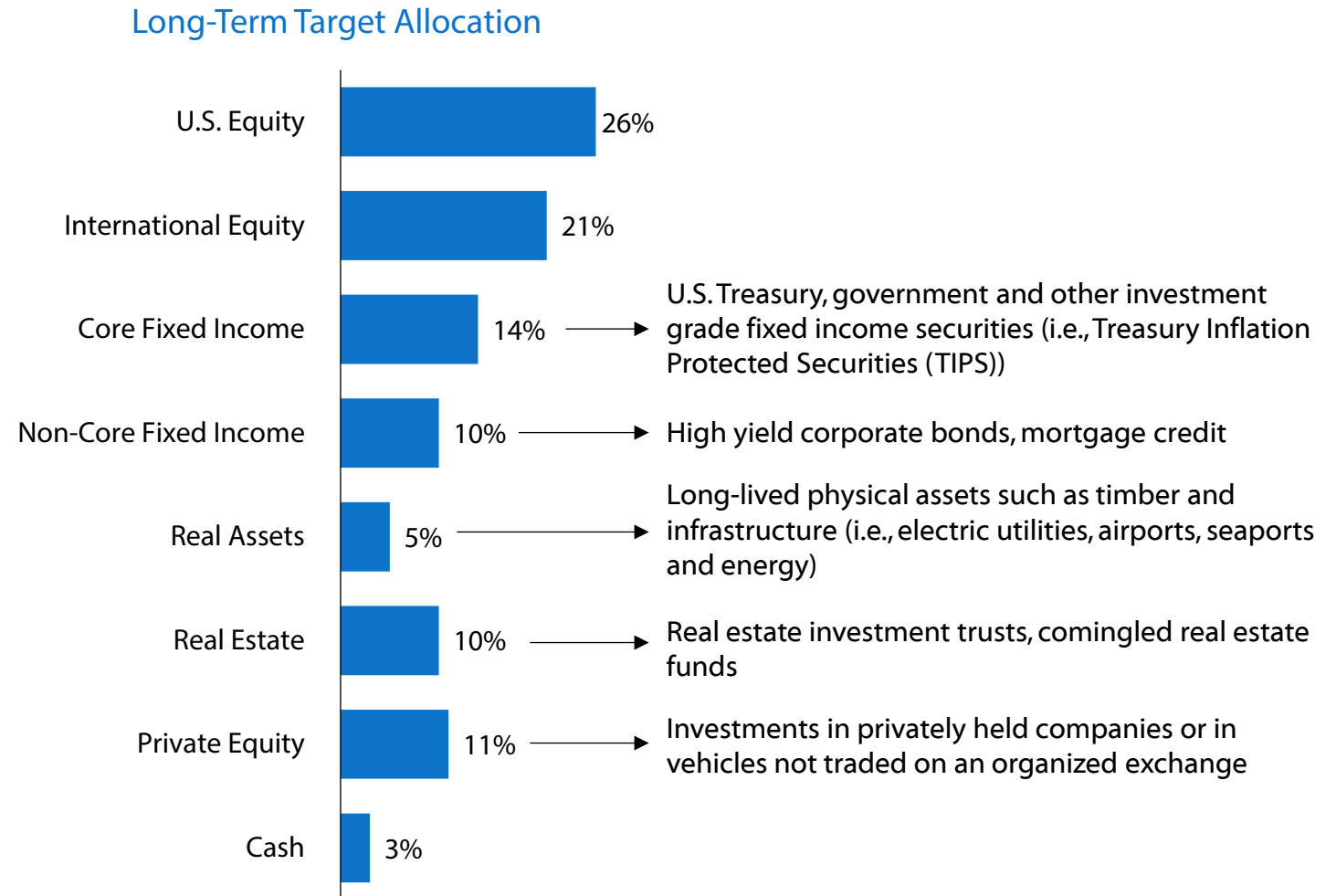
KPERS total investment fees represented 0.36% of the total assets (CY 2024 preliminary)



# Asset Allocation

Every three years the KPERS Board of Trustees undertakes an asset/liability study to set our asset allocation.

Our investment goal is for the portfolio to provide the highest returns for the least amount of risk.



# Investment Performance

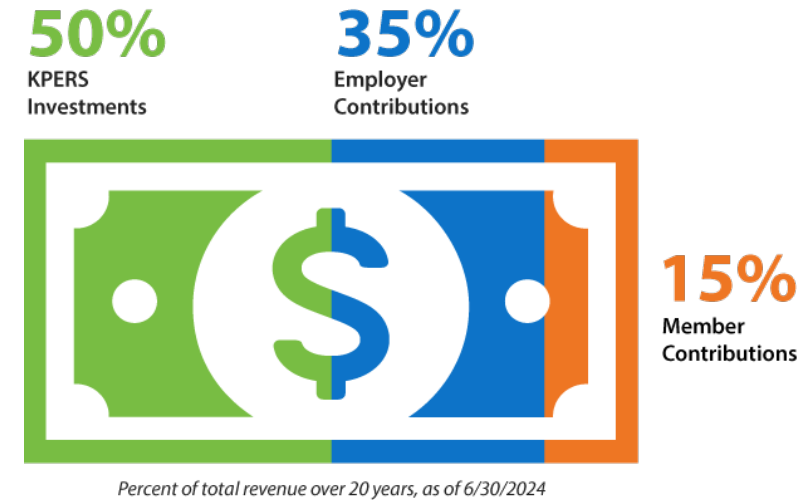
Most revenue to the KPERS Trust Fund comes from investment returns.

KPERS annual comprehensive financial report (ACFR) is reported on the fiscal year ending June 30.

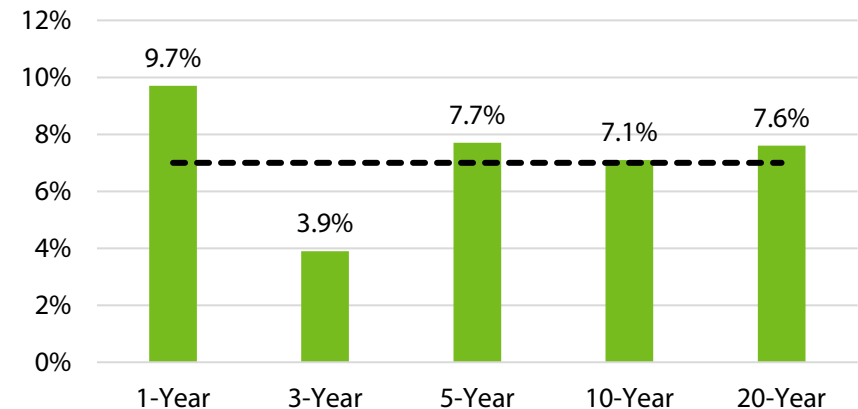
- The FY 2024 total return was 9.7%.

KPERS annual actuarial valuation is measured on a calendar year basis.

- The CY 2024 total return was 9.3%.



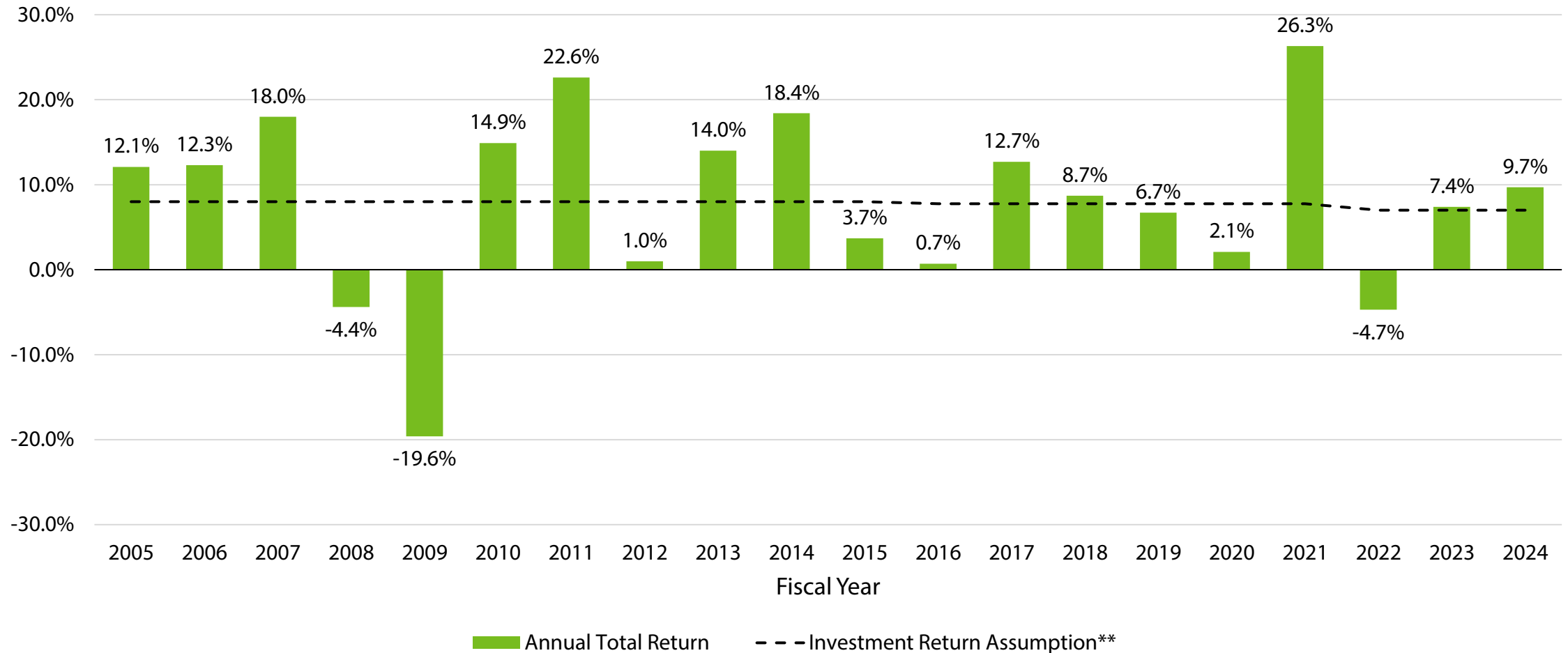
**Annualized Total Return through 6/30/2024**



--- 7.0% Investment Return Assumption



# Historical Fiscal Year Returns\*



\* Time weighted total return, gross of fees

\*\* The investment return assumption was changed to 7.75% and to 7.0% in 2021.



# Funded Status on 12/31/2023

As a system, KPERS' funded ratio (assets to liabilities) improved while the unfunded actuarial liability increased marginally in the 12/31/2023 valuation.

	12/31/2022	12/31/2023
Funded Ratio	73.4%	74.0%
Unfunded Actuarial Liability	\$9.57 billion	\$9.69 billion

KPERS had a 10.6% investment return in CY 2023, but deferred investment losses from CY 2022 will continue to be a headwind for the next three years.

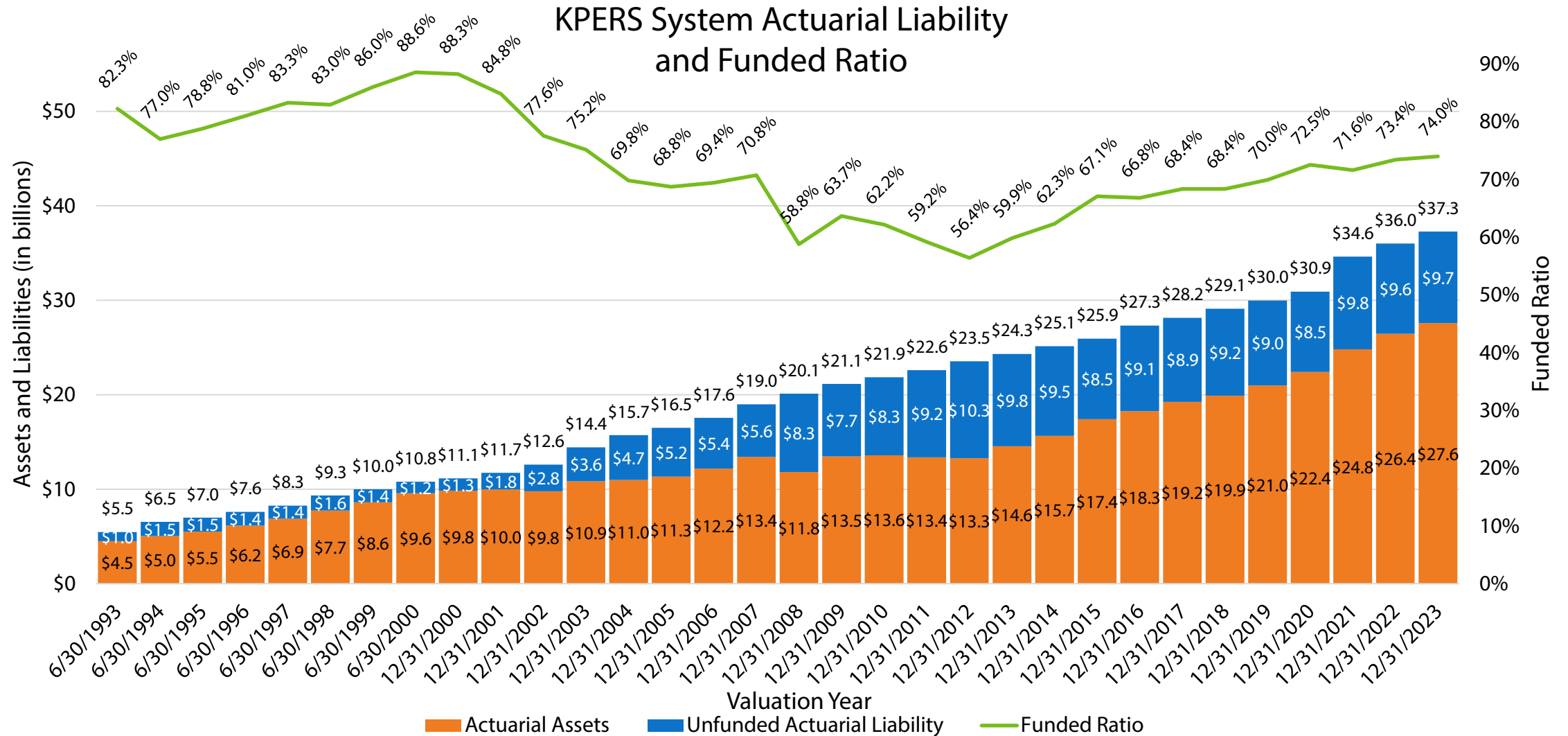
The State/School group is at 75.2% funded as of 12/31/2023.

All employer groups remain at the full actuarial required contribution (ARC) rate in the 12/31/2023 valuation (FY 2027 for State, CY 2026 for Locals).

- The State/School employer contribution rate for FY 2025 is 11.54%, FY 2026 is 11.68% and FY 2027 is 11.32%.



# Long-Term Funding



# KPERS Funding

Investment returns in CY 2023 were above the 7.0% investment return assumption, but the CY 2022 investment losses will put upward pressure on future employer contribution rates.

The funded ratio increased from 73.4% to 74.0%. However, deferred investment losses are expected to keep the funded ratio relatively level for several years if all assumptions are met.

Continued full funding of the employer contribution rate is one of the keys to keeping KPERS on a path to full, sustainable funding.

KPERS benefits are not in jeopardy, with over \$28 billion in assets today and a well diversified investment portfolio, KPERS will pay all promised benefits.





# Questions

