

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Expenditure	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	54,213,300	49,607,849	49,607,849	52,516,110	52,516,110
TOTAL	\$ 54,213,300	\$ 49,607,849	\$ 49,607,849	\$ 52,516,110	\$ 52,516,110
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 54,213,300	\$ 49,607,849	\$ 49,607,849	\$ 52,516,110	\$ 52,516,110

Percentage Change:

Operating Expenditures					
State General Fund	(100.0) %	-- %	-- %	-- %	-- %
All Funds	5.9	(8.5)	(8.5)	5.9	5.9
FTE Positions	98.4	98.4	98.4	98.4	98.4
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	98.4	98.4	98.4	98.4	98.4

AGENCY OVERVIEW

The Kansas Public Employees Retirement System (KPERs) administers three statewide coverage groups: KPERs State, School, and 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 as members most public employees in Kansas. KPERs also administers other employee benefit programs: 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 non-KPERs duties 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. Two members are elected by KPERs members. One member is the State Treasurer. The Board appoints the Executive Director who administers the agency operations for the Board.

MAJOR ISSUES FROM PRIOR YEARS

Death and Disability Benefits. Since 1966, the Death and Long-Term 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 to 1.0 percent effective in FY 2007.

State Deferred Compensation Program. 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.

Retirement Contributions. 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. The Legislature also authorized issuance of \$500.0 million in pension obligation bonds to be repaid from the State General Fund in order to augment state employer contribution increases that KPERS will receive over the next 25 years. The pension obligation bonds are reflected in the Department of Administration's budget rather than in the KPERS budget.

The **2003 Legislature** incorporated the 13th check into a guaranteed annual benefit payment by permanently funding the state and local portions of the unfunded actuarial liability estimated at \$35.9 million. The state portion was financed by a \$24.9 million bond issue to provide the actuarially required funding for the remaining periods that benefits will be paid. The 10-year bond issue is paid from an increase in the state's employer contribution rate that began in FY 2005. The local portion was added to the unfunded actuarial liability for that group and a rate increase began in calendar year 2005 to amortize the \$11.0 million liability to make the payment permanent for local retirees and their beneficiaries. This bond issue addressed a closed group of approximately 15,000 KPERS state retirees and beneficiaries as of 2003 who are guaranteed annual benefits for their remaining life. No additional people may be included in this closed 13th check group and by 2007 the number had declined to less than 10,000 who received the benefit payment. The annual bond payment mechanism includes an appropriation from the State General Fund that is used to make the principal and interest payment, with the State General Fund being reimbursed at the end of a fiscal year after employer contributions for the bond payments are collected over the preceding 12-month period. This financing is included in the KPERS budget and is the only State General Fund appropriation for this agency that appears each fiscal year while bond payments are being paid and reimbursed by collections. The final bond payment occurred in FY 2014.

The **2003 Legislature** authorized issuance of \$500.0 million in pension obligation bonds, and KPERS received net proceeds of \$440.2 million in March of 2004 that were invested. The 30-year bond issue is being repaid from the State General Fund and is included in the

Department of Administration budget. A three-year graduated schedule of interest-only payments concluded in FY 2008 with a \$26.1 million State General Fund expenditure. Beginning in FY 2009, both principal and interest will be paid annually, with expenditures to average \$36.1 million per year for 27 years.

In **2006**, the agency proposed three additional information technology projects: platform consolidation, security enhancements, and hot site backup. When costs were combined for the first two projects, expenditures totaled an estimated \$2.6 million over a two-year period. A third technology project would cost under \$250,000 to provide a backup site for disaster recovery. The 2007 Legislature approved expenditures in FY 2008 to begin these projects, with additional funding included in the agency's FY 2009 request to complete the projects under development.

The **2008 Legislature** authorized 2.0 new FTE positions to assist with the increasing number of new retirees.

The **2008 Legislature** approved a one-time benefit bonus payment of \$300 in FY 2009, payable to all eligible members who retired or became disabled on or before July 1, 1998. The cost was estimated to be \$9.42 million and provided a benefit to 31,391 retired members, beneficiaries and disabled members in both state and local government.

The **2009 Legislature** passed Senate Sub. for HB 2072 which amended certain statutes for the Kansas Police and Firemen's (KP&F) Retirement System and the Kansas Public Employees Retirement System (KPERS). Several of the changes are summarized below.

- **Waiting Period After Retirement for KPERS Retirees.** The bill increased the break-in-service requirement from 30 to 60 days after retirement for all new KPERS retirees before they can return to work for any KPERS participating employer, and included all members of the KPERS plan, including state, school, and local employees. Members of the Retirement System for Judges or the KP&F Retirement System were not affected;
- **Working After Retirement for Contractors.** The bill clarifies the statutory provisions pertaining to retirees of KPERS who return to work after retirement as contracted employees. Under the bill, retirees who provide teaching and administrator services to a participating employer through a third-party contractor are subjected to the same state policies as other KPERS retirees who return to work as individuals. Lastly, the bill exempted any third-party contracts that were effective prior to April 1, 2009; and
- **Three-Year Salary Cap Exemption for School Professionals.** The bill provided a three-year exemption from the \$20,000 earnings limitation, from July 1, 2009 through June 30, 2012, in which retired licensed public school employees (teachers and administrators) who are members of the KPERS School Group may return to work for the same KPERS participating employer from which they retired. The bill required special payments from all public school employers who employ such licensed KPERS school group retirees and the payments and be based on a contribution rate equal to the employer actuarial rate plus an additional 8.0 percent. The 2012 Legislature extended the three-year salary cap exemption for school professionals in Senate Sub. for Sub. for HB 2333 to July 1, 2015.

The **2010 Legislature** passed HB 2107 which permits affiliation by the Adjutant General with the Kansas Police and Fireman's (KP&F) Retirement System in order to provide membership to certain qualified firefighters and to offer enhanced benefits for future service.

The **2011 Legislature** passed Sen. Sub. for HB 2194 which reduced the KPERS unfunded actuarial liability. Additionally, the bill created the KPERS Study Commission which was charged with reviewing changes to KPERS. The Commission submitted a report to the 2012 Legislature with proposed changes and recommendations.

The **2012 Legislature** added \$447,534, all from the Kansas Public Employees Retirement System Trust Fund, to restore the agency's FY 2013 enhancement request for costs associated with implementation of 2012 HB 2194.

The **2012 Legislature** added \$2,750,000, all from the Kansas Public Employees Retirement System Trust Fund, and 11.0 FTE positions, to implement HB 2333 which created a new defined benefit retirement plan, or cash balance plan, for state employees which began in 2015. The bill added a new Tier 3 for new hires on or after January 1, 2015. New employees pay an employee contribution rate of 6.0 percent and the employer contribution would be set at 3.0 percent to 6.0 percent based upon years of service. Interest credits would be set at an annual 5.25 percent guaranteed interest on employee and employer account balances. Possible additional interest credits of up to 4.0 percent may be granted by the KPERS Board based on KPERS' actual investment returns and funding. The bill also increased some current employee contributions from 4.0 percent to 5.0 percent in 2014 and then to 6.0 percent in 2015. If allowed by the Internal Revenue Service, current employees could maintain 4.0 percent contribution rate with a lower benefit in the future.

The **2013 Legislature** passed HB 2213, which modified KP&F. The bill adjusted the benefit structure of KP&F by raising the cap on annual benefits from 80.0 percent of final average salary to 90.0 percent of the final average salary. KP&F members now contribute 7.15 percent of annual compensation for all years of service. Previously, members contributed 7.0 percent for up to 32 years of service, and then 2.0 percent for years of service beyond 32 years. The increase in the member contribution rate is estimated to make the benefit increase cost neutral to employers. The 2013 Legislature also adjusted the KPERS Death and Disability employer contribution rate from 1.0 to 0.85 percent for FY 2014 and FY 2015. It is scheduled to return to 1.0 percent in FY 2016.

The **2015 Legislature** passed SB 228 which allowed the Kansas Development Finance Authority (KDFA) to issue bonds, in one or more series, of \$1.0 billion, plus all amounts required to pay the costs of issuance. The proceeds from the bonds were applied to the unfunded actuarial pension liability, as directed by the Kansas Public Employees Retirement System (KPERS). Debt service is payable from appropriations. Additionally, the employer contribution rate for the State-School Group was decreased from 12.37 percent to 10.91 percent in FY 2016 and from 13.57 percent to 10.81 percent in FY 2017.

BUDGET SUMMARY AND KEY POINTS

FY 2016 – Current Year. The **agency** requests a revised estimate of \$49,607,849, all from special revenue funds. The revised estimate is a decrease of \$2,862,661, or 5.5 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on contractual services, specifically reduced investment management expenditures, partially offset by increased capital outlay expenditures. The agency's estimate includes 98.4 FTE positions and 0 non-FTE unclassified permanent positions, a decrease of 3.0 non-FTE unclassified permanent positions below the amount approved by the 2015 Legislature.

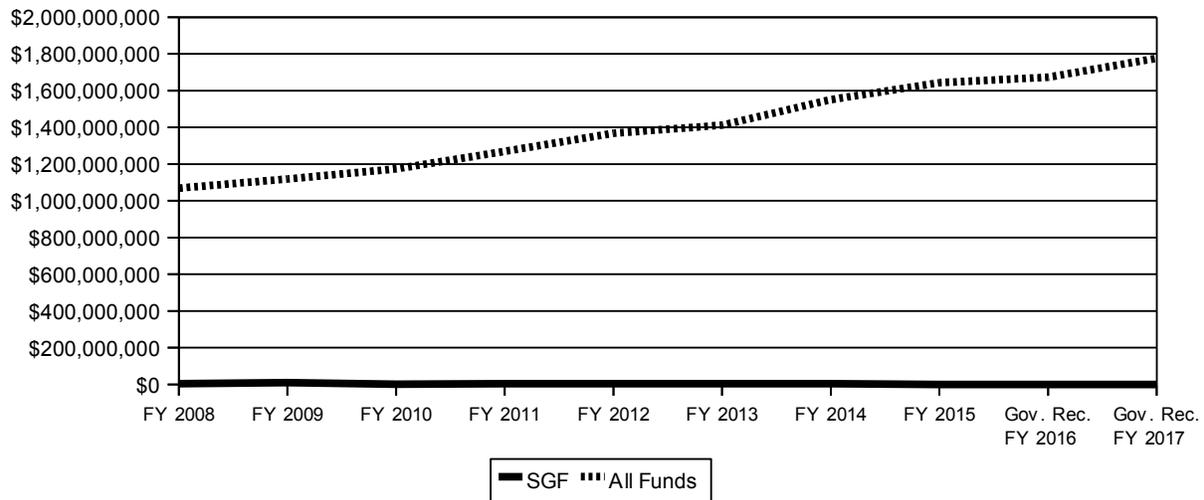
The **Governor** concurs with the agency's revised estimate in FY 2016. The Governor recommends the statute (KSA 75-6609) directing 80.0 percent of revenue from the sale of surplus property be deposited in the KPERs Trust Fund be suspended for FY 2016.

FY 2017 – Budget Year. The **agency** requests a revised estimate of \$52,516,110, all from special revenue funds, for FY 2017 operating expenditures. The request is a decrease of \$1,862,613, or 3.4 percent, below the amount approved by the 2015 Legislature. The decrease is primarily attributable to decreased contractual service expenditures, specifically investment management fees, partially offset by increased capital outlay expenditures. The agency's estimate includes 98.4 FTE positions and 0 non-FTE unclassified permanent positions, a decrease of 3.0 non-FTE unclassified permanent positions below the amount approved by the 2015 Legislature.

The **Governor** concurs with the agency's revised estimate for FY 2017. The Governor recommends the statute (KSA 75-6609) directing 80.0 percent of revenue from the sale of surplus property be deposited in the KPERs Trust Fund be suspended for FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES* FY 2008 – FY 2017



*Includes non-reportable benefit payments.

OPERATING EXPENDITURES FY 2008 – FY 2017

Fiscal Year	SGF	% Change	All Funds*	% Change	FTE
2008	\$ 3,507,635	9.2 %	\$ 1,068,887,539	8.2 %	86.3
2009	9,586,393	173.3	1,118,857,420	4.7	87.3
2010**	638,812	(93.3)	1,173,844,225	4.9	87.3
2011	3,213,611	403.1	1,269,517,903	8.2	87.3
2012	3,210,083	(0.1)	1,367,968,498	7.8	86.3
2013	3,208,979	(0.0)	1,411,760,378	3.2	97.4
2014	3,206,401	(0.1)	1,551,251,421	9.9	98.4
2015	0	(100.0)	1,643,089,542	5.9	98.4
2016 Gov. Rec.	0	--	1,673,040,000	1.8	98.4
2017 Gov. Rec.	0	--	1,776,532,000	6.2	98.4
Ten-Year Change Dollars/Percent	\$ (3,507,635)	(100.0)%	\$ 707,644,461	66.2 %	12.1

*Includes non-reportable benefit payments.

**The State General Fund decrease in 2010 was a result of the State paying only for the interest portion of the 13th check bond.

Summary of Operating Budget FY 2015 - FY 2017

	Actual 2015	Agency Estimate				Governor's Recommendation			
		Estimate FY 2016	Estimate FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:									
Administration	\$ 12,083,061	\$ 11,925,367	\$ 12,373,968	\$ 448,601	3.8 %	\$ 11,925,367	\$ 12,373,968	\$ 448,601	3.8 %
KPERS Investments	41,052,603	36,671,910	39,040,127	2,368,217	6.5	36,671,910	39,040,127	2,368,217	6.5
Non-KPERS Investments	1,077,636	1,010,572	1,102,015	91,443	9.0	1,010,572	1,102,015	91,443	9.0
TOTAL	\$ 54,213,300	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 7,776,133	\$ 8,651,035	\$ 9,095,898	\$ 444,863	5.1 %	\$ 8,651,035	\$ 9,095,898	\$ 444,863	5.1 %
Contractual Services	45,638,649	40,230,599	42,635,050	2,404,451	6.0	40,230,599	42,635,050	2,404,451	6.0
Commodities	175,637	172,715	204,950	32,235	18.7	172,715	204,950	32,235	18.7
Capital Outlay	606,879	550,000	580,212	30,212	5.5	550,000	580,212	30,212	5.5
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 54,197,298	\$ 49,604,349	\$ 52,516,110	\$ 2,911,761	5.9 %	\$ 49,604,349	\$ 52,516,110	\$ 2,911,761	5.9 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	16,002	3,500	0	(3,500)	(100.0)	3,500	0	(3,500)	(100.0)
TOTAL	\$ 54,213,300	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Non-Retirement Admin Fund	708,122	678,730	746,191	67,461	9.9	678,730	746,191	67,461	9.9
KPERS Deferred Compensation Fee Fund	423,446	331,842	355,824	23,982	7.2	331,842	355,824	23,982	7.2
KPERS Retirement Fund	53,081,732	48,597,277	51,414,095	2,816,818	5.8	48,597,277	51,414,095	2,816,818	5.8
TOTAL	\$ 54,213,300	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %	\$ 49,607,849	\$ 52,516,110	\$ 2,908,261	5.9 %

BUDGET OVERVIEW

A. FY 2016 – Current Year

Adjustments to Approved Budget

The 2015 Legislature approved an all funds budget of \$52,470,510 for the Kansas Public Employees Retirement System in FY 2016. No adjustments have subsequently been made to that amount.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2016	Agency Estimate FY 2016	Agency Change from Approved	Governor Rec. FY 2016	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	52,470,510	49,607,849	(2,862,661)	49,607,849	(2,862,661)
TOTAL	\$ 52,470,510	\$ 49,607,849	\$ (2,862,661)	\$ 49,607,849	\$ (2,862,661)
FTE Positions	98.4	98.4	0.0	98.4	0.0

The **agency** requests revised FY 2016 expenditures of \$49,607,849, all from special revenue funds. The revised estimate is a decrease of \$2,862,661, or 5.5 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on contractual services, specifically reduced investment management expenditures, partially offset by increased capital outlay expenditures. The revised estimate is detailed below by category of expenditure. The agency 98.4 FTE positions and 0 non-FTE unclassified permanent positions, a decrease of 3.0 non-FTE unclassified permanent positions below the amount approved by the 2015 Legislature.

- Salaries and Wages.** The agency estimates \$8,651,035, all from special revenue funds, for salaries and wages in FY 2016. The estimate is an increase of \$1,913, or less than 1.0 percent, above the amount approved by the 2015 Legislature;
- Contractual Services.** The agency estimates \$40,230,599, all from special revenue funds, for contractual services in FY 2016. The estimate is a decrease of \$3,055,081, or 7.1 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to investment manager expenses as a result of the weaker than anticipated investment returns. Investment related expenses are based on the assumption that market value of the portfolio will grow by 8.0 percent;
- Commodities.** The agency estimates \$172,715, all from special revenue funds, for commodities in FY 2016. The estimate is an increase of \$61,005, or 54.6 percent, above the amount approved by the 2015 Legislature. The increase is

attributable to expenses associated with correspondence to members, including benefit statements; and

- **Capital Outlay.** The agency estimates \$550,000, all from special revenue funds, for capital outlay in FY 2016. The estimate is an increase of \$129,500, or 30.8 percent, above the amount approved by the 2015 Legislature. The decrease is attributable to IT equipment expenditures.

The **Governor** concurs with the agency's revised estimate in FY 2016. The Governor further recommends the statute (KSA 75-6609) directing 80.0 percent of revenue from the sale of surplus property be deposited in the KPERs Trust Fund be suspended for FY 2016.

B. FY 2017 – Budget Year

Adjustments to Approved Budget

The 2015 Legislature approved an all funds budget of \$54,378,723 for the Kansas Public Employees Retirement System in FY 2017. No adjustments have subsequently been made to that amount.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2017	Agency Estimate FY 2017	Agency Change from Approved	Governor Rec. FY 2017	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	54,378,723	52,516,110	(1,862,613)	52,516,110	(1,862,613)
TOTAL	\$ 54,378,723	\$ 52,516,110	\$ (1,862,613)	\$ 52,516,110	\$ (1,862,613)
FTE Positions	98.4	98.4	0.0	98.4	0.0

The **agency** requests a revised estimate of \$52,516,110, all from special revenue funds, for FY 2017 operating expenditures. The request is a decrease of \$1,862,613, or 3.4 percent, below the amount approved by the 2015 Legislature. The decrease is primarily attributable to decreased contractual service expenditures, specifically investment management fees, partially offset by increased capital outlay expenditures. The revised estimate is detailed below by category of expenditure. The agency 98.4 FTE positions and 0 non-FTE unclassified permanent positions, a decrease of 3.0 non-FTE unclassified permanent positions below the amount approved by the 2015 Legislature.

- **Salaries and Wages.** The agency estimates \$9,095,898, all from special revenue funds, for salaries and wages for FY 2017. The estimate is a decrease of \$218, or less than 1.0 percent, below the amount approved by the 2015 Legislature;
- **Contractual Services.** The agency estimates \$42,635,050, all from special revenue funds, for contractual services for FY 2017. The estimate is a decrease of \$2,111,417, or 4.7 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to investment manager expenses as a

result of the weaker than anticipated investment returns. Investment related expenses are based on the assumption that market value of the portfolio will grow by 8.0 percent;

- **Commodities.** The agency estimates \$204,950, all from special revenue funds, for commodities for FY 2017. The estimate is an increase of \$89,460, or 77.5 percent, above the amount approved by the 2015 Legislature. The increase is attributable to expenses associated with correspondence to members, including benefit statements; and
- **Capital Outlay.** The agency estimates \$580,212, all from special revenue funds, for capital outlay for FY 2017. The estimate is an increase of \$159,562, or 37.9 percent, above the amount approved by the 2015 Legislature. The decrease is attributable to IT equipment expenditures.

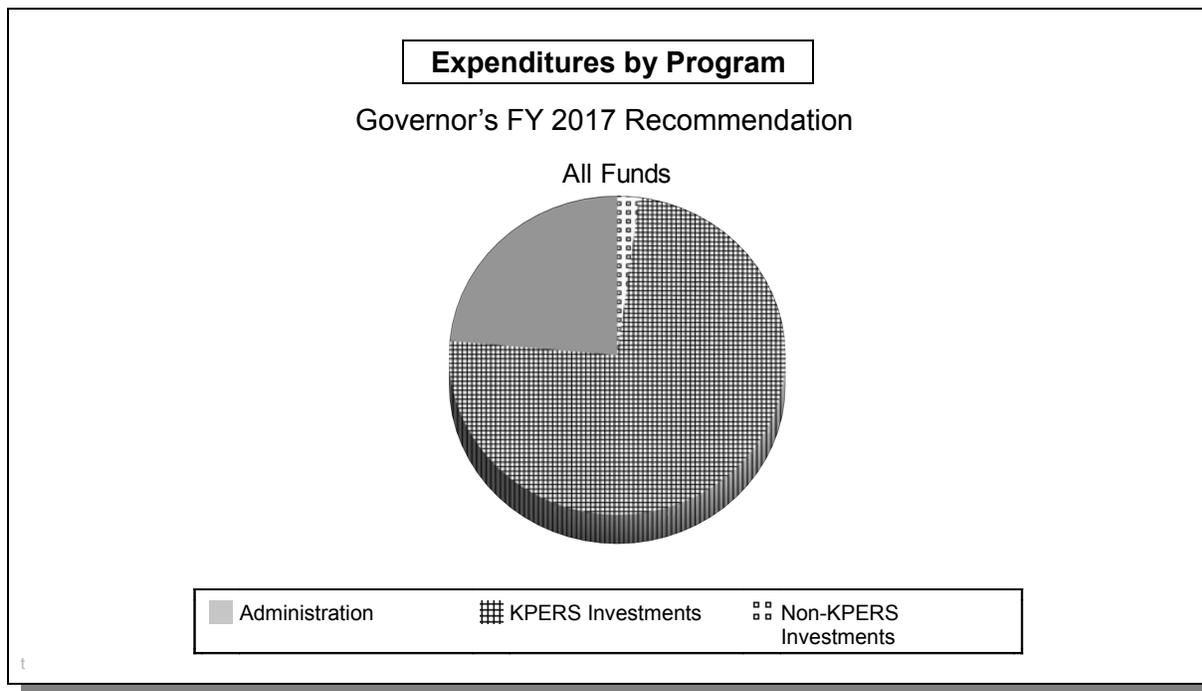
The **Governor** concurs with the agency's revised estimate for FY 2017. The Governor further recommends the statute (KSA 75-6609) directing 80.0 percent of revenue from the sale of surplus property be deposited in the KPERs Trust Fund be suspended for FY 2017.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
Non-Retirement Admin Fund	1.4 %	1.4 %
KPERs Deferred Compensation Fee Fund	0.7	0.7
KS Public Employees Retirement Fund	97.9	97.9
TOTAL	100.0 %	100.0 %

Note: Details may not add to totals due to rounding.

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2017	Percent of Total	Gov. Rec. SGF FY 2017	Percent of Total
Administration	\$ 12,373,968	23.6 %	\$ 0	-- %
KPERs Investments	39,040,127	74.3	0	--
Non-KPERs Investments	1,102,015	2.1	0	--
TOTAL	\$ 52,516,110	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2015 – FY 2017

Program	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Administration	87.1	87.1	87.1	87.1	87.1
KPERs Investments	8.6	8.6	8.6	8.6	8.6
Non-KPERs Investments	2.7	2.7	2.7	2.7	2.7
TOTAL	98.4	98.4	98.4	98.4	98.4

A. Administration

This program provides a centralized agency 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, payments, and customer service. The Executive Director administers this program and reports to the KPERS Board of Trustees.

KPERS projections reflect increasing numbers of new retirements and net new retirees as baby-boomers begin to retire in increasing numbers. The KPERS actuary, reporting in a three-year experience study completed during fall of 2007, points out that KPERS retirees also are living longer and that the actuarial tables for longevity will need to be adjusted. An increase in KPERS staffing is anticipated within the next few years to meet the additional workload that will result from more retirees requiring services. Likewise, retirement benefit payments will continue to increase, surpassing \$1.5 billion in payments during FY 2015. Approximately 85 to 90 percent of those payments are made to persons residing in Kansas.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2015 – FY 2017					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 6,019,941	\$ 6,743,199	\$ 6,743,199	\$ 7,086,528	\$ 7,086,528
Contractual Services	5,326,892	4,456,643	4,456,643	4,503,728	4,503,728
Commodities	175,252	172,025	172,025	204,000	204,000
Capital Outlay	544,974	550,000	550,000	579,712	579,712
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 12,067,059</u>	<u>\$ 11,921,867</u>	<u>\$ 11,921,867</u>	<u>\$ 12,373,968</u>	<u>\$ 12,373,968</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	16,002	3,500	0	0	0
TOTAL	<u>\$ 12,083,061</u>	<u>\$ 11,925,367</u>	<u>\$ 11,921,867</u>	<u>\$ 12,373,968</u>	<u>\$ 12,373,968</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	12,083,061	11,925,367	11,925,367	12,373,968	12,373,968
TOTAL	<u>\$ 12,083,061</u>	<u>\$ 11,925,367</u>	<u>\$ 11,925,367</u>	<u>\$ 12,373,968</u>	<u>\$ 12,373,968</u>
FTE Positions	87.1	87.1	87.1	87.1	87.1
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>87.1</u>	<u>87.1</u>	<u>87.1</u>	<u>87.1</u>	<u>87.1</u>

The **agency** requests FY 2017 operating expenditures for the Administration program of \$12,373,968, all from special revenue funds. The revised estimate is the same as the amount approved by the 2015 Legislature. The agency is requesting 87.1 FTE positions and 0.0 non-FTE unclassified permanent positions, 0.9 FTE positions and 3.0 non-FTE unclassified permanent positions, below the amount approved by the 2015 Legislature. Attributable to positions being reassigned within programs. The estimate is detailed by category of expenditure.

- **Salaries and Wages.** The agency estimates \$7,086,528, all from special revenue funds, for salaries and wages for FY 2017. The request is a decrease of \$83,500, or 1.2 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures for classified regular wages, offset partially by increased expenditures for unclassified wages;
- **Contractual Services.** The agency estimates \$4,503,728, all from special revenue funds, for contractual services for FY 2017. The request is a decrease of \$166,012, or 3.6 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced expenditures on actuarial consulting, outside legal council and IT support;
- **Commodities.** The agency estimates \$204,000, all from special revenue funds, for commodities for FY 2017. The request is an increase of \$89,800, or 78.6 percent, above the amount approved by the 2015 Legislature. The increase is attributable to expenses related to mailing benefit statements and other correspondence with members; and
- **Capital Outlay.** The agency estimates \$579,712, all from special revenue funds, for capital outlay for FY 2017. The request is an increase of \$159,712, or 38.0 percent, above the amount approved by the 2015 Legislature. The increase is attributable to increased IT expenses.

The **Governor** concurs with the agency's revised estimate for the Administration program for FY 2017.

B. Investments

This 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 that is not assigned to the outside investment managers. The 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.

INVESTMENTS					
SUMMARY OF EXPENDITURES FY 2015 – FY 2017					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 1,411,330	\$ 1,623,427	\$ 1,623,427	\$ 1,707,864	\$ 1,707,864
Contractual Services	39,579,498	35,048,483	35,048,483	37,332,263	37,332,263
Commodities	135	0	0	0	0
Capital Outlay	61,640	0	0	0	0
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 41,052,603</u>	<u>\$ 36,671,910</u>	<u>\$ 36,671,910</u>	<u>\$ 39,040,127</u>	<u>\$ 39,040,127</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 41,052,603</u>	<u>\$ 36,671,910</u>	<u>\$ 36,671,910</u>	<u>\$ 39,040,127</u>	<u>\$ 39,040,127</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	<u>41,052,603</u>	<u>36,671,910</u>	<u>36,671,910</u>	<u>39,040,127</u>	<u>39,040,127</u>
TOTAL	<u>\$ 41,052,603</u>	<u>\$ 36,671,910</u>	<u>\$ 36,671,910</u>	<u>\$ 39,040,127</u>	<u>\$ 39,040,127</u>
FTE Positions	8.6	8.6	8.6	8.6	8.6
Non-FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>	<u>8.6</u>

The **agency** requests FY 2017 operating expenditures for the Investments program of \$39,040,127, all from special revenue funds. The revised estimate is a decrease of \$1,865,462, or 4.6 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to reduced contractual service expenditures, partially offset by increased salary and wage expenditures. The agency is requesting 8.6 FTE positions, 0.9 FTE positions, above the amount approved by the 2015 Legislature. Attributable to a FTE position being reclassified from the Administration program. The estimate is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests \$1,707,864, all from special revenue funds, for salaries and wages for FY 2017. The request is an increase of \$79,881, or 4.9 percent, above the amount approved by the 2015 Legislature. The increase is attributable to the reclassification of the FTE position from the Administration program; and
- **Contractual Services.** The agency requests \$37,332,263, all from special revenue funds, for contractual services for FY 2017. The request is a decrease of \$1,945,343, or 5.0 percent, below the amount approved by the 2015 Legislature. The decrease is attributable to investment manager expenses as a result of the weaker than anticipated investment returns. Investment related expenses are based on the assumption that market value of the portfolio will grow by 8.0 percent.

The **Governor** concurs with the agency's revised estimate for the Investments program for FY 2017.

C. Non-KPERS Investments

The Kansas 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. Since 2007 the management of the Kansas Deferred Compensation program has been administered by KPERS. The management provides state and local employees with coordinated retirement education and planning information and facilitates an increased emphasis on personal savings for retirement.

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, Voya Investment Management. Voya Investment Management is responsible for participant account record keeping and direct services such as enrollments, phone inquiries and investment transactions.

The Plan has more than 24,000 participants with total assets of approximately \$996.0 million.

NON-KPERS INVESTMENTS SUMMARY OF EXPENDITURES FY 2015 – FY 2017					
Item	Actual FY 2015	Agency Est. FY 2016	Gov. Rec. FY 2016	Agency Est. FY 2017	Gov. Rec. FY 2017
Expenditures:					
Salaries and Wages	\$ 344,862	\$ 284,409	\$ 284,409	\$ 301,506	\$ 301,506
Contractual Services	732,259	725,473	725,473	799,059	799,059
Commodities	250	690	690	950	950
Capital Outlay	265	0	0	500	500
Debt Service	0	0	0	0	0
<i>Subtotal - Operations</i>	<u>\$ 1,077,636</u>	<u>\$ 1,010,572</u>	<u>\$ 1,010,572</u>	<u>\$ 1,102,015</u>	<u>\$ 1,102,015</u>
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
TOTAL	<u>\$ 1,077,636</u>	<u>\$ 1,010,572</u>	<u>\$ 1,010,572</u>	<u>\$ 1,102,015</u>	<u>\$ 1,102,015</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	<u>1,077,636</u>	<u>1,010,572</u>	<u>1,010,572</u>	<u>1,102,015</u>	<u>1,102,015</u>
TOTAL	<u>\$ 1,077,636</u>	<u>\$ 1,010,572</u>	<u>\$ 1,010,572</u>	<u>\$ 1,102,015</u>	<u>\$ 1,102,015</u>
FTE Positions	2.7	2.7	2.7	2.7	2.7
Non-FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>2.7</u>	<u>2.7</u>	<u>2.7</u>	<u>2.7</u>	<u>2.7</u>

The **agency** requests a FY 2017 budget of \$1,102,015, all from special revenue funds, for non-KPERS investment expenditures. The request is an increase of \$2,849, or 0.3 percent, above the amount approved by the 2015. The increase is attributable to slightly increased salary and wage expenditures, partially offset by reduced commodity and capital outlay expenditures.

The **Governor** concurs with the agency’s revised estimate for the non-KPERS Investments program for FY 2017.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2015	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Annual cost of administrative operations as a percentage of benefit payments	0.80%	0.80%	0.70%	0.70%
Number of individuals receiving KPERS benefits payments per year	92,000	93,000	96,000	96,000
Amount of benefits paid (in millions)	\$1,512.20	\$1,524.40	\$1,612.10	\$1,713.90
Investment related fees as a percentage of Retirement System	0.20%	0.20%	0.20%	0.20%