KPERS

September 25, 2026

Mr. Adam Proffitt
Secretary of Administration and Budget Director
Kansas Division of the Budget
915 SW Harrison, Suite 310
Topeka, KS 66612
BUILDING MAIL

Secretary Proffitt:

On behalf of the Board of Trustees of the Kansas Public Employees Retirement System (KPERS), I hereby submit for your consideration the Fiscal Year 2027 and Fiscal Year 2028 budget document for the System. The budget request was approved by the Board of Trustees of KPERS at their meeting on September 18, 2026. This budget was prepared in accordance with the budget indices dated August 10, 2026. To the best of my knowledge and belief, the information and explanation included in this budget request are correct and complete. One copy has also been submitted to the Legislative Research Department.

As always, Kris Holm, Chief Fiscal Officer for KPERS or I are prepared to provide you or Jeff Arpin, Principal Analyst with any additional information that might be helpful. Thank you for your consideration.

Sincerely,

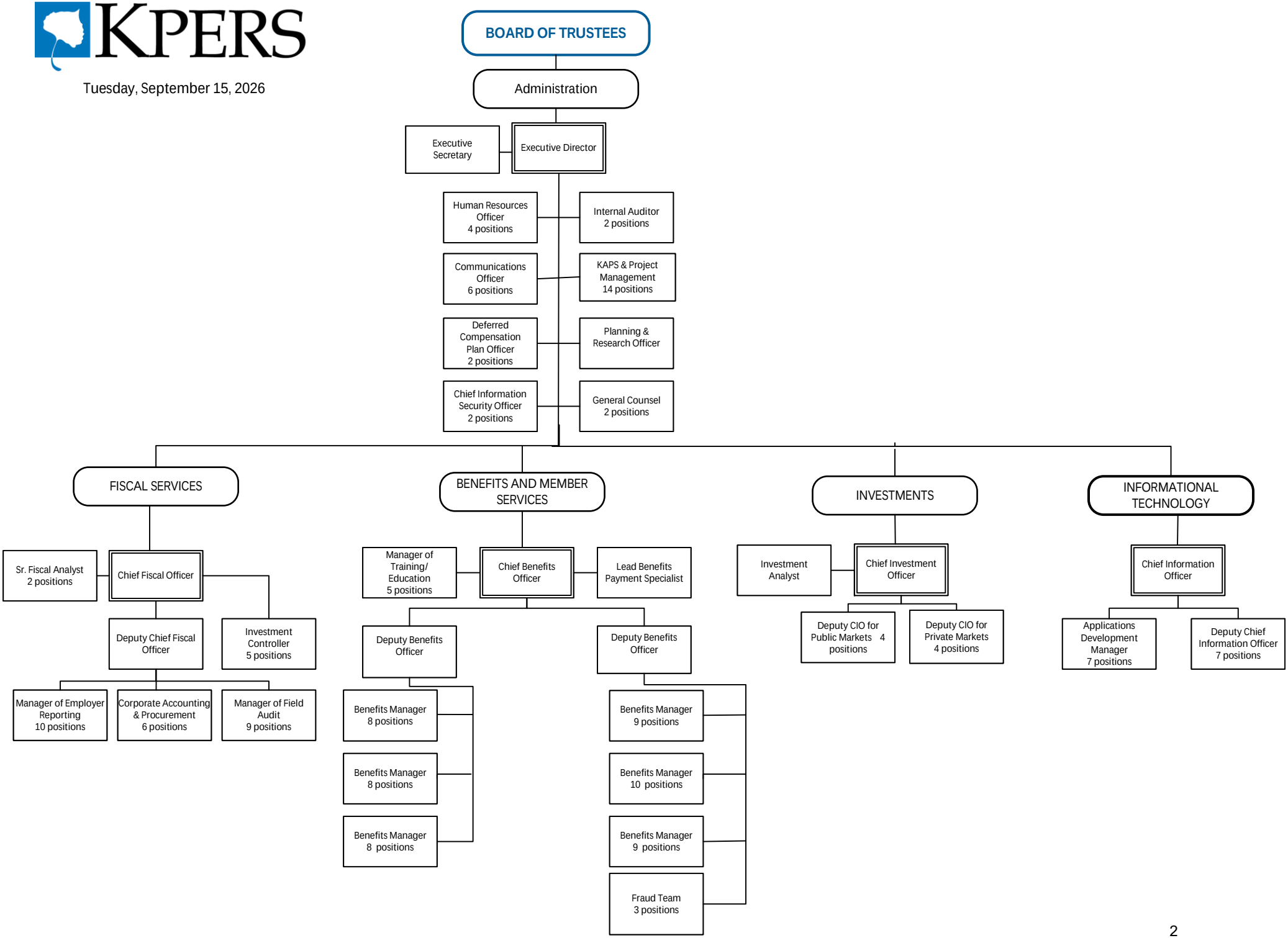
Alan D. Conroy

Alan D. Conroy
Executive Director

Enclosure
CC: Mr. Jeff Arpin, Principal Analyst, Kansas Division of the Budget
Ms. Chardae Caine, Managing Fiscal Analyst, Kansas Legislative Research Department

KPERS

Tuesday, September 15, 2026



GENERAL AGENCY INFORMATION

Agency History

The Kansas Public Employees Retirement System (KPERS) was created by an act of the 1961 Kansas Legislature. The Act provides that the purpose of the Retirement System is "...to provide an orderly means whereby employees of participating employers who obtain retirement age 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."

Since January 2015, all members of the State, School and Local Groups contribute 6.0 percent of their compensation. Plan design changes approved by the 2012 Legislature included an increase in the KPERS 1 contribution rate. Starting January 1, 2014, KPERS 1 members (membership dates prior to 7/1/2009) began contributing 5.0 percent of their compensation. That contribution rate rose to 6.0 percent on January 1, 2015 and remains at 6.0 percent of compensation going forward. Employer contribution rates are certified annually by the Board of Trustees upon recommendation of the actuary, based on amounts required to maintain the System on an actuarial reserve basis and subject to statutory limits on annual increases. For FY 2027 and FY 2028 the statutory State/School employer contribution rate is scheduled to be 11.32% and 11.38% respectively. Local employers are scheduled to contribute 9.44% in CY 2027 and 9.35% in CY 2028. State KP&F employers are scheduled to contribute 24.02% in FY 2027 and 24.53% in FY 2028, for Local KP&F employer the rates are 24.51% in CY 2027 and 23.81% in CY 2028. The Judges' employer contribution rates for FY 2027 and FY 2028 are 21.29% and 20.42%. All employer groups are contributing the full actuarial required contribution rate.

The 2017 Legislature included a reduction of $64 million in FY 2017 and $194 million in FY 2019 School employer contributions. The FY 2017 reduction was scheduled to be repaid over 20 years starting in FY 2018 with annual payments of $6.4 million. The FY 2019 reduction was scheduled to be repaid over 20 years starting in FY 2020 with annual payments of $19.4 million. The 2022 Legislature appropriated the remaining amount required to fully fund the past contributions and no additional payments will be made.

The 2018 Legislature included an additional payment of $56 million in FY 2018, an additional payment of $82 million in FY 2019, and a contingent payment of up to $56 million in FY 2019 if actual revenues exceed the April consensus revenue payments. However, the second contingent payment was ultimately changed to a direct appropriation of $51 million in July 2019 (FY 2020) by the 2019 Legislature. The 2019 Legislature also appropriated an additional

$115 million payment, which was the estimated cost to pay the delayed employer contributions from 2016, plus interest.

The 2022 Legislature appropriated $1.125 billion in funding above the annual employer contribution rate to the School group. This includes $253.9 million for reduced contributions in FY 2017 and FY 2019 and $871.1 million in additional contributions.

A nine-member Board of Trustees is the governing body of the Retirement System. Four trustees are appointed by the Governor and confirmed by the Kansas Senate. The President of the Senate appoints one trustee; the Speaker of the House appoints one trustee; two are elected by the members; and the State Treasurer serves as a trustee (by virtue of the Office). The Board of Trustees appoints the Executive Director who is the executive officer of the System. The Board retains a qualified actuary to serve as its technical advisor and who is required to provide an annual valuation of the liabilities and reserves of the System.

By law, the State of Kansas, as an eligible employer, became a participating employer on the first entry date. The Act further provides that any county, city, township, special district, or any instrumentality of any one or several of whose employees are covered by Social Security could elect to become participating employers of the System. In 1962, besides the State of Kansas, 183 local units of government elected to affiliate on that date. In FY 2025, there were 1,584 participating employers. Employees of participating employers become members by meeting statutory requirements.

On June 30, 1962, there was a total membership of 24,278. As of the December 31, 2025 actuarial valuation, 234,642 active and inactive members are included in the various coverage groups administered by KPERS. Additionally, the System has 119,830 retired members and beneficiaries.

On January 1, 1971, the Kansas School Retirement System (KSRS) was merged into the Kansas Public Employees Retirement System. Members of this group include employees of the unified school districts, area vocational technical schools, and community junior colleges. This coverage group is the largest coverage group administered by the Board.

In 1971, all active members (and most inactive vested members) of the KSRS became members of KPERS. KSRS members who were retired at that time and certain classes of inactive employees with vested rights did not come under KPERS. Instead, payments to these members continued under the provisions of KSRS through separate reserves maintained specifically for that purpose. KSRS provided a benefit related to the amount of employee contributions, and a separate benefit paid by the State, based solely on years of school service. Although all currently active school employees are covered under KPERS, a small number of former school

employees continue to qualify for benefits each year under KSRS. Legislation enacted in 1984 made members of the old KSRS special members of KPERS.

The 1965 Legislature, upon the recommendation of the League of Kansas Municipalities and committees representing the police officers and fire fighters in the State of Kansas, established the Kansas Police and Firemen's Retirement System (KP&F) and assigned the administration of that System to the Board of Trustees of the Kansas Public Employees Retirement System (KPERS).

The Kansas Police and Firemen's Retirement System is a division of and fully coordinated into the administrative structure of KPERS. Separate laws, rules and regulations, and accounts are maintained, but in all other respects, administration is the same as the administration of KPERS. Under KP&F, members contribute 7.15% of their compensation and have a cap on their retirement benefit of not more than 90% of final average salary (2013 HB 2213). The actuarially determined contribution requirement for employers in KP&F are comprised of two parts:

- a uniform rate, determined separately for State and Local employers, which includes the normal cost and an unfunded actuarial liability (UAL) payment for the entire group; and
- any payment required to amortize the unfunded past service liability.

In 1976, legislation was enacted to prescribe certain actuarial funding standards for local police and firemen's pension plans and authorizing the merger of such plans into the Kansas Police and Firemen's Retirement System. This legislation was the culmination of an extensive legislative study that focused on local police and fire pension plans that had accumulated sizeable unfunded liabilities and were not soundly financed on an actuarial reserve basis. In effect, State law precluded sound financing of these local plans by preventing cities from accumulating assets on an actuarial reserve basis to meet their growing liabilities. The legislation provided, in part:

- for cities to retain their local pension plans, but establish certain minimum funding standards among which were amortization of unfunded liabilities of active members over 40 years and retired members over 20 years;
- for those cities which did not retain their local plans, to affiliate with KP&F for both active and retired members and for transfer of all monies and other assets to KP&F; and
- those active members of plans that affiliate with KP&F have the opportunity to either stay under the provisions of the local plan or become "special" members of KP&F or to become regular KP&F members. There are no longer any active “special” members of KP&F, only retirees remain from this group.

The Kansas Retirement System for Judges was created by an act of the 1953 Kansas Legislature. The System covered Supreme Court Justices and District Court Judges and was administered

by the Kansas Judges Retirement (KJR) Board. On July 1, 1975, the KJR Board was abolished and all the powers, duties and functions of that board were transferred to the Board of Trustees of the Kansas Public Employees Retirement System. The Kansas Retirement System for Judges is a division of and fully coordinated into the administrative structure of KPERS. Separate laws, rules and regulations, and accounts are maintained, but in all other respects administration is the same as the administration of KPERS. 1993 legislation provided that district magistrate judges would become members of the Judges Retirement System.

Retirement Benefits

Kansas law establishes the formula for calculating retirement benefits for all current KPERS members. The formula consists of the final average salary multiplied by years of service multiplied by a multiplier. The components of the formula are unique to each plan. Starting in January 2015, the KPERS 3 cash balance plan opened to most new hires. Cash balance plan benefits are based on member contributions, employer credits and accrued interest throughout the members' career.

Normal retirement thresholds differ among the plans. Under KPERS 1, effective for all who retire on and after July 1, 1993, normal retirement is age 65, age 62 with 10 years of service or when the members' age plus service equals eighty-five or more. KPERS 2 and KPERS 3 members may retire at age 65 with five years of service credit or age 60 with 30 years of service credit. All members in KPERS may retire with reduced benefits as early as age 55 with ten years of service credit.

Under KP&F, normal retirement for Tier I members is age 55 with 20 years of service or with 32 years of service regardless of age. For Tier II members, it is age 50 with 25 years of service, age 55 with 20 years of service or age 60 with 15 years of service. Early retirement with reduced benefits is age 50 with 20 years of service for both tiers.

Judges may retire with full benefits at age 65, age 62 with 10 years of service or when the judges age plus service equals eighty-five or more. Members may retire with reduced benefits at age 55 with ten years of service.

Revenues

The net investment income for FY 2026 was $3.992 billion. Pension contributions for the year totaled $1.75 billion. Sources of pensions contributions included $578 million in employee contributions and $1.17 billion in employer contributions.

Expenses

The largest expense of the Kansas Public Employees Retirement System relates to the purpose for which it was created, namely the payment of benefits. Total benefits for FY 2026 were $2.4 billion, including retirement benefits, retiree death benefits and refunds of contributions.

Reserves

Contributions to the Retirement System are based on the principle of level cost financing with current service financed on a current basis and prior service amortized over a period not to exceed 40 years. Starting with the 12/31/2016 actuarial valuation, the unfunded actuarial liability is amortized using a "layered" approach. Each year funding changes due to investment or demographic experience are amortized over separate 20-year amortizations each year.

Other changes, due to changes in plan design or assumptions, may be amortized separately from annual funding changes and can be amortized over different time periods.

As part of the change in the investment return assumption in May 2022, the KPERS Board of Trustees adjusted the amortization period for all funding groups and combined all the unfunded actuarial liability bases back into a single amount, which is now the first amortization layer. Changes to the unfunded actuarial liability in future years will again be recognized as separate layers.

The Retirement System funds are designed to assist State and local public employees and their dependents or beneficiaries in providing for their financial security. The assets of the retirement System are held in trust for the participants, pending disbursements to secure insurance, pay withdrawal of accumulated contributions, or to pay benefits.

The names of the reserves and their uses are specified in K.S.A. 74-4922. The Members' Accumulated Contribution Reserve is used to account for members' contributions and represents the statutory employee contribution that is used to fund a portion of participating service costs. The employers' contributions are accumulated in the Retirement Benefit Accumulation Reserve. The employers' contributions represent an amount to fund the employer portion of participating service as it accrues and an amount to pay the past service liability not yet funded, which is amortized over a period of not to exceed 40 years from the date of affiliation with the Retirement System. When an active member retires, the member's accumulated contributions, plus an additional amount that, together with the member's contributions, is necessary to equal the present value of future benefits for that individual is transferred from the Retirement Benefit Accumulation Reserve and is accumulated into the Retirement Benefit Payment Reserve. Monthly retirement benefits for that individual and all other individual retired members are charged to this reserve.

The following chart shows a highlight of operations for Fiscal Year 2021 though Fiscal Year 2026.

Highlight of Operations -Fiscal Year

	2026	2025	2024	2023	2022
Membership Composition					
Number of Retirants	110,462	108,667	106,984	104,645	102,014
Number of Survivors [1]	9,368	9,203	9,023	9,083	8,572
New Retirants During the Fiscal Year	5,362	5,128	7,982	5,754	6,124
Active and Inactive Members[2]	234,642	232,743	230,334	227,606	222,512
Participating Employers	1,575	1,584	1,552	1,552	1,541
Financial Results (in millions)					
Member Contributions	$582	$565	$535	$508	$482
Employer Contributions[3]	1,178	1,126	1,096	1,334	2,126
Retirement/Death Benefits	2,383	2,267	2,182	2,084	2,008
Investment Income	3,992	2,683	2,341	1,698	(1,296)
Employer Contribution Rate					
KPERS—State/School[4,7]	11.68%	11.54%	12.57%	13.11%	13.33%
KPERS—Local[5]	9.59	9.71	8.43	8.90	8.87
KP&F (Uniform Participating)[5]	24.00	24.67	23.10	22.86	22.99
Judges	23.16	21.45	16.48	17.77	18.40
Unfunded Actuarial Liability (in millions)					
KPERS—State/School	$6,250	$6,343	$6,201	$6,261	$6,892
KPERS—Local	2,173	2,173	2,090	1,952	1,784
KP&F	1,550	1,522	1,382	1,337	1,141
Judges	29	11	13	16	10
Funding Ratios[6]					
KPERS--Total System	74.9%	74.0%	74.0%	73.4%	71.6%
KPERS--State/School	76.3	75.3	75.2	74.2	70.7
KPERS--Local	72.9	71.8	71.7	72.2	73.3
KP&F	70.4	69.5	70.5	70.2	72.8
Judges	89.1	95.4	94.2	92.8	95.3

1) This is the number of joint annuitants as of December 31st, per the System's records.
2) Membership information taken from System's actuarial valuation.
3) The State of Kansas issued pension obligation bonds, Series 2015H, in August 2015.
4) Recertified from 14.09% to 13.33% for FY 2022 and from 13.86% to 13.11% for FY 2023 after passage of SB 159 in the 2021 session.
5) KPERS Local and KP&F contribution rates are reported on a calendar year basis.
6) The funding percentage indicates the actuarial soundness of the System. Generally, the greater the percentage, the stronger the System.
7) Increased for FY 2025 and FY 2026 to fund benefit improvements after passage of HB 2711 in the 2024 session.

Funding Outlook and Projections

Current Funding Status

The Retirement System's 12/31/2025 actuarial valuation shows a $46 million decrease (0.5%) in the unfunded actuarial liability (UAL). The State/School group funded ratio improved to 76.3% and total System funded ratio improved to 74.9%. Deferred investment gains totaling $1.0 billion are expected to improve the System funded status as the impact is smoothed in over the next 4 valuations.

Plan	Unfunded Actuarial Liability (millions)*	Funded Ratio
Kansas Public Employees Retirement System (KPERS)	**$ 8,423**	**75.5 %**
State Group	1,362	75.9
School Group	4,889	76.4
Local Group	2,173	72.9
Kansas Police and Firemen's Retirement System (KP&F)	**$ 1,550**	**70.4 %**
Kansas Retirement System for Judges (Judges)	**$ 29**	**89.1 %**
Retirement System Totals	**$ 10,002**	**74.9 %**

*Numbers may not add due to rounding

By statute (K.S.A. 74-4920) employer contribution rate increases for the KPERS plan are capped from fiscal year to fiscal year. Due to the statutory cap the employer contribution rate for KPERS employers did not meet the Actuarial Required Contribution (ARC) Rate for 25 years. In 1995, 2003 and again in 2012, the Legislature passed legislation phasing in higher caps on annual increases to KPERS employer contribution rates. Under 2012 HB 2333, the rate increase cap was raised from 0.6 percent annually to an increase of 0.9 percent in FY 2014, 1.0 percent in FY 2015, 1.1 percent in FY 2016, and 1.2 percent in FY 2017 and future years or until ARC was reached. However, 2015 SB 228 ($1.0 billion bond authorization) set the employer contribution rates for FY 2016 and FY 2017. The Legislature also initially delayed, but ultimately reduced FY 2016 employer contributions by $97 million. FY 2017 School employer contributions were reduced by $64 million but are to be paid over a 20-year period starting in FY 2018, at approximately $6.4 million annually. The 2017 Legislature also delayed $194 million in School employer

contributions in FY 2019. That reduction is also scheduled to be paid over 20-years, starting in FY 2020, at approximately $19.4 million annually.

The 2018 Legislature did pass additional contributions to KPERS totaling $194 million, including and $82 million appropriation received in July 2018, a contingent $56 million payment that was received in June 2018 and a contingent $56 million payment that was scheduled for June of 2019 if revenues exceeded the consensus revenue estimates.

The 2019 Legislature removed the contingent $56 million payment in June of 2019 and instead made a direct appropriation of $51 million in July of 2019. In addition, the 2019 Legislature appropriated $115 million, which is the estimated cost of the delayed 2016 employer contributions plus interest.

The 2021 Legislature approved the sale of $500 million in pension funding bonds, contingent on the total interest cost of the bonds not exceeding 4.3%. The bonds were sold in August 2021 at a total interest rate of 2.65%. KPERS has already received the additional funding and the impact of the funding will first appear in the 12/31/2021 actuarial valuation. In addition to approving the pension funding bonds, the Legislature set new employer contribution rates for FY 2022 and FY 2023 based on the actuarial projections of the receipt of the bonds.

The 2022 Legislature appropriated $1.125 billion in additional contributions above the normal employer contributions in SB 421. The funding was scheduled to be paid in 4 tranches. The payment schedule includes:

1. $553.9 million on May 19, 2022.
2. $300 million on June 1, 2022.
3. $146.1 million on August 1, 2022.
4. $125 million on December 1, 2022.

The first payment included $253.9 million for the remaining balance of the delayed employer contributions from FY 2017 and FY 2019.

The State/School group remains at the actuarial required contribution (ARC) rate in FY 2026 and FY 2027 with employer contribution rates of 11.68% and 11.32% respectively. The State/School group has contributed the full ARC rate since July 1, 2020.

The Local Group has been at the actuarial required contribution rate since CY 2015 and remains at the full required rate in CY 2026 and CY 2027 at 9.59% and 9.44%.

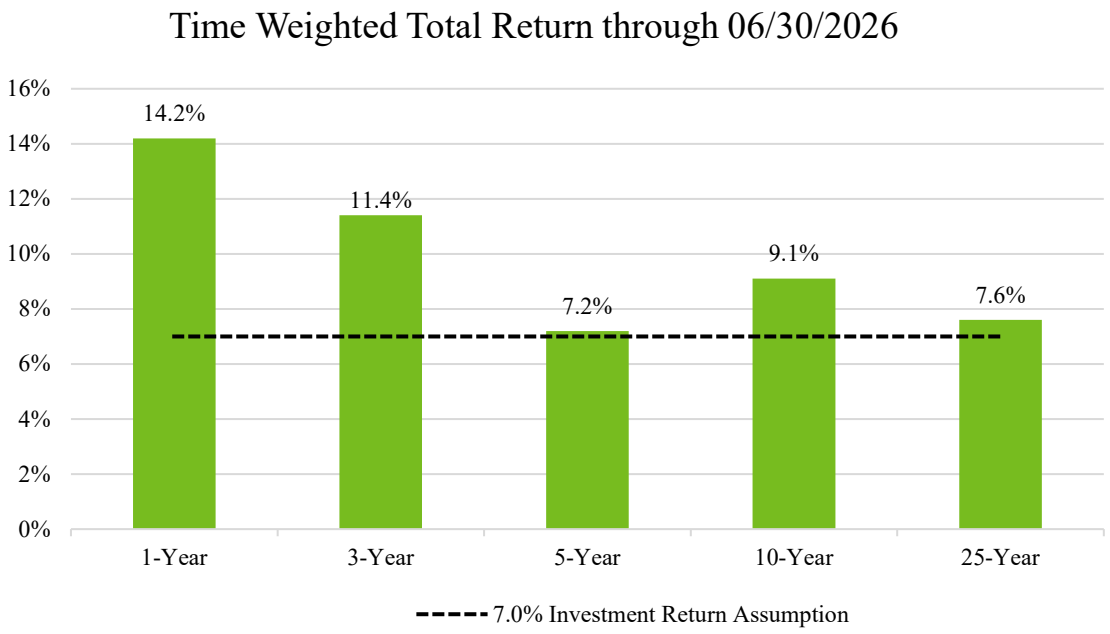
The KP&F and Judges funding plans currently do not utilize caps to limit the employer contributions. The statutory employer contribution rate is equal to the actuarial required contribution rate. Changes in rates for these groups may occur due to changes in investment

performance and other economic and demographic experience, as well as changes in actuarial assumptions. The actuarial required contribution rates for these groups are as follows:

- KP&F (Local) - 24.00% effective calendar year 2026;
- KP&F (State) - 24.02% effective Fiscal Year 2027; and
- Judges - 21.29% effective Fiscal Year 2026.

Importance of Investment Returns

Future investment returns are extremely important to the System's funding. Returns above the System's assumed investment target of 7.0% positively impact funding projections and vice versa.



State's Funding Commitment

As important as investment returns are to funding, investment returns alone cannot fix the funding shortfall. Employer and employee contributions are crucial to improving funding and maintaining stable funding in the future.

The Legislature has adjusted employer contributions in recent years, including reducing FY 2016 employer contributions by $97 million and financing $64 million in FY 2017 and $194 million FY 2019 over 20 years each. These annual payments total $6.4 million and $19.4 million respectively and are paid in addition to normal employer contributions to the School group each fiscal year.

However, the Legislature has appropriated $1.429 billion in additional contributions in FY 2018, FY 2019 and FY 2020, FY 2022 and FY 2023. These additional appropriations include:

- $56 million in FY 2018 due to actual State General Fund receipts exceeding the revenue estimates.
- $115 million in FY 2019 to pay the reduced FY 2016 employer contributions plus interest (SB 9).
- $82 million in FY 2019.
- $51 million in FY 2020.
- $1.125 billion pay in 4 tranches in CY 2022.

The FY 2027 and FY 2028 statutory State/School employer contribution rates are equal to the actuarial required contribution rate of 11.32% and 11.38%. The 12/31/2025 valuation sets the actuarial required contribution rate for FY 2029 and the State/School Group is projected to remain at the actuarial required rate at 11.21%. After FY 2029 the contribution rate is projected to stabilize between 11% and 12% through the end of the amortization period of the legacy unfunded actuarial liability (2039).

Recent Legislative Action

2021 Legislation

The 2021 Legislature approved the sale of $500 million in pension funding bonds to fund a portion of the School group unfunded actuarial liability. The addition of $500 million to the State/School group is projected to improve the funded ratio of by 2.3% and reduces the projected employer contribution rate in future years.

The 2021 Legislature also approved several plan design changes, including:

1. Adding a new survivor benefit option for disabled KP&F Tier 2 members who die from service-connected causes (Michael Wells Memorial Act).
2. Allowing members who participate in the deferred retirement option program (DROP) to elect to extend their DROP period to a maximum of 5 years in total.
3. Adjusting the timing of the actuarial experience study from a three-year schedule to a four-year schedule, with provisions for the Board of Trustees to complete an experience study after 3 years or 5 years if deemed appropriate.
4. Codifying the one-year Death and Disability contribution moratorium included in the Governor's June 2020 allotment plan.
5. Technical changes to align KPERS statutes with the federal CARES and SECURE acts.

2022 Legislation

The 2022 Legislature appropriated a total of $1.125 billion in additional funding in four payments to the KPERS Trust Fund in SB 421. The payment schedule includes:

1. $553.9 million on May 19, 2022.
2. $300 million on June 1, 2022.
3. $146.1 million on August 1, 2022.
4. $125 million on December 1, 2022.

The first payment includes $253.9 million for the remaining balance of the delayed employer contributions from FY 2017 and FY 2019.

The 2022 Legislature also added in-state, nonfederal service as eligible for purchase by KP&F members in HB 2481. The service cannot be purchased if it is used for retirement benefits in another retirement plan. The cost of the service is calculated using actuarial tables and is paid by the member. The member may purchase the service with a lump-sum payment or through additional payroll deductions. Currently, KP&F members have the option to purchase military service.

HB 2481 does not allow KP&F members to purchase KPERS service as KP&F service.

2023 Legislation

The 2023 Legislature passed both plan design and policy adjustments that affect the administration of the plan.

HB 2100 enacted new restrictions on the consideration of Environmental, Social and Governance (ESG) factors when entering into contracts and placed limits on the System's proxy voting. KPERS hired Egan-Jones as a proxy voting consultant and has instituted new policies to ensure that all investment managers are in compliance with the new law.

The 2023 Legislature also expanded the Deferred Retirement Option Program (DROP) to all KP&F employers. The DROP allows members to initiate the calculation of retirement benefits and have their benefits accumulate in a notional account, with interest, while they continue to work for a 3- to 5-year period. Members and employers continue to make contributions on the member's compensation, but the member does not accumulate any additional benefits. At retirement, the member receives a lump sum or qualified rollover of their DROP account.

The Department of Wildlife and Parks also was made an eligible employer for KP&F and law enforcement positions at the Department were made eligible for KP&F coverage. Eligible positions because KP&F members for future service only starting July 1, 2023.

2024 Legislation

The 2024 Legislature passed a small change to the plan design by increasing the retiree death benefit from $4,000 to $6,000. This change increased the unfunded actuarial liability and by statute increased the FY 2025 employer contribution rates to begin funding the change. The increase in the employer contribution rates varied by group from 0.06% to 0.13%.

Working after retirement was adjusted to allow for retirees to earn $40,000 per calendar year before the employer contribution rate changes to 30% of compensation. The KP&F earnings limit was also increased from $25,000 to $40,000.

KPERS investment policy was adjusted by raising the statutory cap on alternative investments from 15% to 25%. Several other alternative investment restrictions in statute remain in place. The Legislature also passed the "Countries of Concern" act, which requires KPERS to divest from certain countries identified in statute and prohibits future investment in the listed countries.

2025 Legislation

The 2025 Legislature did not enact any changes to KPERS benefits. The Legislature did enact a change to the length of the period that members have to appeal decisions made by the Board. The appeals window was extended from 30 days to 60 days. This change had no impact on KPERS funding.

2026 Legislation

The 2026 Legislature passed administrative and technical updates to KPERS statutes, but there were no changes to benefit plan design.

KPERS Death and Disability Benefits Program

In addition to serving as the pension plan for State and local governmental employees, KPERS offers basic group life insurance and long-term disability benefits. The KPERS Death and Disability Benefits Program came into existence on January 1, 1966 under the provision of K.S.A. 74-4927. The cost of the plan is paid from a special reserve called the "group insurance reserve" and the statutory employer rate for this is benefit is 1.0 percent of their covered payroll. The 2013 Legislature adjusted the employer rate to 0.85 percent for FY 2014 and FY 2015. The contribution rate returned to 1.0 percent in FY 2016. 2010 legislation placed a moratorium on death and disability contributions for the periods April 1, 2010 through June 30, 2010 and April 1, 2011 through June 30, 2011. 2012 legislation placed a moratorium on these contributions for the period of April 1, 2012 through June 30, 2012. The approved FY 2013 budget assumed the passage of substantive legislation for another moratorium on these contributions for the period of April 1, 2013 through June 30, 2013. Substantive legislation enacting that moratorium was ultimately passed by the 2013 Legislature. In the 2015 appropriations bill, the Legislature included savings from a seven-payroll period moratorium on contributions to the Group Insurance Fund during the end of FY 2016 and FY 2017. The 2016 Legislature amended the relevant statutes to accomplish the contribution moratorium. In June 2020 the Governor included a one-year moratorium on employer contributions to the Death and Disability plan as part of an allotment plan. The Legislative updated relevant statutes to enact the moratorium.

To carry out the legislative intent to provide, within the funds made available, the broadest possible coverage, the KPERS Board may adjust the plan from time to time. KPERS contracts with The Standard to underwrite the group life insurance benefits. Davies Life & Health, Inc. is the third-party administrator for the disability program. In FY 2025 more than $46.6 million in insurance premiums and disability payments were made.

Deferred Compensation Plan Administration

The Kansas Deferred Compensation Plan is a voluntary, tax-deferred retirement savings program for state employees. In addition, many local public employers offer the plan to their employees. The Plan was administered by the Kansas Department of Administration and the Deferred Compensation Oversight Committee from 1980 to 2007.

Following a 2006 study of the Plan, the Secretary of Administration and the KPERS Board of Trustees recommended transferring Plan administration to KPERS. During the 2007 legislative session, the Kansas Legislature passed, and the Governor signed HB 2385 to implement this recommendation effective January 1, 2008. KPERS' administration of the Plan 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 new Board Deferred Compensation Plan Committee to oversee administration of the Plan. This Board committee manages plan assets, selects and monitors investment options, and selects and evaluates service providers. KPERS staff manages operations in conjunction with the Plan's service provider. The current service provider is Empower. The service provider handles participant account recordkeeping and direct services such as enrollments, phone inquiries and investment transactions.

Mission Statement

The Kansas Public Employees Retirement System, in its fiduciary capacity, exists to deliver retirement, disability and survivor benefits to its members and their beneficiaries.

Values Statement

In fulfilling our mission, six core values guide the Retirement System:

Service	-	We strive to provide excellent service that is timely, accurate, thorough and accessible. Member and employers should receive the best service possible.
Integrity	-	We conduct business in an honest, ethical and fair environment. We adhere to the highest standards of professional and ethical conduct.
Respect	-	We acknowledge that our dedicated employees are essential to our success. We value the unique contributions of individuals and encourage mutual respect, civility, diversity and personal development.
Accountability	-	We take ownership and responsibility for our actions and their results. We are fiscally responsible and performance oriented.
Innovation	-	We seek creative solutions to long-range situations and everyday issues. We are willing to embrace change and consider new ideas.
Teamwork	-	We work together to achieve common goals. We are committed to sharing both risks and rewards; we value openness and flexibility.

These core values help determine how we treat our member, how we treat our employees, and how we do business.

Programs Established to Assist with Agency Mission

- Operations
- Public Employee Retirement Benefits
- Investments

FY 2026 Accomplishments

SERVICE

It is our goal to provide exceptional customer service when delivering retirement, disability and survivor benefits to our members and their beneficiaries. We strive to provide timely, accurate, thorough and accessible service to our members and employers. We are committed to treating our members and participating employers courteously and compassionately while helping them access their benefits. Our service performance results and customer service initiatives in FY 2026 include:

Retirement Services

- Successfully distributed more than 1.4 million retirement benefit payments over the 12-month period totaling $2 billion for the fiscal year, with nearly 100% of distributions made in a timely manner.
- Successfully managed pension inceptions for 6,064 new retirees with nearly 100% of initial retirement benefit payments made on time. Processed and distributed $171.9 million in partial lump-sum option benefit payments for 1,508 new retirees.
- FY 2026 satisfaction survey responses from new retirees showed that 91% rated our service during the process as "excellent," "very good" or "good." About 80% of new retirees completed this survey.
- Participated in the reconciliation and distribution of more than 141,000 1099-R tax forms for retirees, beneficiaries and former members who received distributions from KPERS during CY 2025. Distributed nearly 54,000 federal tax withholding change notices, and assisted members with questions and related requests.

Active Member Benefits and Service

- Assisted employers with enrolling 20,680 new members; transferring 7,365 members from one participating employer to another; and returning to KPERS-covered employment nearly 5,156 members.
- Assisted with processing 20,283 new or modified beneficiary designations for active members' life insurance and retirement benefits and retired members' death benefits and retirement accounts.
- Successfully processed 10,348 payments for withdrawing members with total payout of contributions and interest equal approximately $73.5 million.
    - On average, the Withdrawal Team processed approximately 862 withdrawal payments each month.

- Processed approximately 263 cost estimates for active members who wanted to purchase service credit by payroll deductions or lump-sum payments. FY 2026 lump-sum payments totaled $2.8 million.
- Completed approximately 940 detailed retirement benefit estimates for members approaching retirement, with all requests completed within 30 days.
- Issued more than 216,000 Member Annual Statements for Calendar Year 2025 to active, inactive and disabled members. All active member statements were distributed to members by April 18, 2026. Inactive and disability statements were also issued for print processing and USPS mail distribution at that time.
- Assisted about 331 members (and their employers) who applied for KPERS disability benefits. Coordinated and monitored the distribution of monthly disability benefit payments by Davies Life & Health, Inc., our third-party administrator, to about 1,250 disabled public employees, totaling $13.4 million for FY 2026. Assisted 25 KP&F members with their applications for disability retirement benefits, including coordinating collection of information with employers and medical records reviews with Davies Life & Health, Inc.
- Coordinated distribution of about $3.5 million in basic life insurance benefits to beneficiaries of approximately 56 disabled members who died during the year.
- Coordinated with Standard Life Insurance Company to pay approximately $17.5 million in basic life insurance benefits and $6.2 million in optional life insurance benefits for 202 claims. This included about $1.2 million for more than 50 dependent claims (spouse or child).
- Processed 95 applications for KP&F members entering the Deferred Retirement Option Program (DROP). FY 2026 was the third year that the program was open to all KP&F members.
- Provided prompt personal assistance to over 3,375 members who visited the KPERS office for one-on-one counseling and another 162 members who received individual, virtual counseling.

Customer Service

- Nearly met the performance goal for responding to incoming telephone calls from our members and employers by answering 85% of 120,215 incoming calls during FY 2026. Total calls decreased by 1% from those received in FY 2025. KPERS' InfoLine staff received an average of 479 calls per day, which was an increase of 5.3% over the number received in FY 2025. The average wait time before callers reached a customer service representative was approximately 144 seconds.
- Responded to over 30,000 email requests from members, employers, beneficiaries and other interested parties. Assisted over 17,800 members with accessing their Member Web Portal accounts and related requests during the fiscal year.

- Participated in the CEM Benchmarking Inc., survey and received positive results in the 2025 Benefits Administration Report. Benefits and Member Services' performance and operating costs contributed significantly to KPERS' positive results on the 2025 survey.
    - **Service:** KPERS' total service score was 79, lower than the peer median of 81. CEM service model scoring changed to reflect higher weights for digital transactions and targeted communications. Both areas are key initiatives for the Pension Administration System Modernization Project.
    - **Cost Per Member:** The total cost per active and retired member was $112, well below the peer average of $126 per member. The cost per member is increasing, primarily because of expenditures related to the KAPS Project. CEM cited the higher volume of transactions processed by Benefits and Member Services staff and accessibility to the Member Web Portal as key reasons for KPERS' position as a low-cost system in our peer group.

COMMUNICATION AND EDUCATION

The Communications Team strives to effectively communicate benefit information and details about complex pension issues to a diverse group of members, employers, public officials and other stakeholders. Our goal is to educate members about their benefits and financial needs during retirement and provide them with resources to make responsible retirement decisions. FY 2026 education and communications performance results and initiatives include:

Member Communication and Education

- Partnered with Benefits and Member Services to provide quarterly pre-retirement webinars for KPERS 1, KPERS 2, KPERS 3 and KP&F members later in their career. KPERS offered two versions of the KPERS 1/KPERS 2 webinars, one for those within 12 months of their retirement date and a second with a broad planning overview for those further out. KPERS offered 24 live webinar sessions with 2,175 members attending. This was about a 14% increase in attendees from FY 2025. Among post-survey respondents, 94.4% of respondents rated the webinars at 4- or 5- of 5 stars for helpfulness and 97.5% said they would recommend the webinar.
- In partnership with Benefits and Member Services, promoted and hosted 42 in-person pre-retirement seminars with approximately 2,345 members attending.
- Conducted the annual communications survey, which received 1,857 responses. Overall, comments were positive. Members indicated that benefits information is easy to understand, visually appealing and meets their needs. Survey results are informing the Communications Department's fiscal year and long-term planning.

- Created and distributed two issues of *Vested Interest*, KPERS' paper retiree newsletter. The newsletter reaches both those receiving retirement benefits and those with joint and survivor benefits.
- Distributed four issues of the quarterly email series for active members. The goal of this series is to share a brief note about KPERS' benefits, as well as any relevant plan updates and education on financial wellness and retirement readiness.
- KSPERS.gov had 338,337 visitors and a total of 677,328 sessions in FY 2026. Both totals were slightly above FY 2025 levels.
- Provided communications support for optional life insurance open enrollment with materials for members, online enrollment function testing and employer communication. In Fall 2025, 2,900 members applied for new or increased coverage, down about 26% from the previous year.
- Provided support for a "Funding Basics" webinar for members in April 2026 with 372 members in attendance. Post-webinar survey responses found members have a good understanding about how KPERS is funded and agree KPERS has a sound funding plan.
- Continued to promote the opt-in email subscription for members 12 months or less to retirement. The goal of the series is to help members understand the retirement process and know what to consider beyond their pensions. Nearly 2,340 members had signed up for the series by FY 2026-end. The open rates are higher than general KPERS emails (typically around 30-40%), with the average open rate at 62% (an increase of about 6% over FY 2025). This is good to see, particularly given that members chose to opt-in to the content. Staff will continue to promote the email series at the quarterly pre-retirement webinars and through a dedicated email campaign to employers in FY 2027.
- Launched a new opt-in email subscription designed specifically to help new hires better understand their benefits. Like the pre-retirement campaign, this series walks new members through the basics of their KPERS benefits and the steps they need to take in the first three months on the job. This includes topics such as setting up an online account, designating beneficiaries and starting to save on their own. The pilot program launched in February 2026 with 32 members from 10 agencies enrolling over four months. Staff also promoted it in the Summer 2026 active member quarterly email and will set a regular cadence to promote the email series to all employers in FY 2027.

Employer Communications

In addition to KPERS staff, employers are our number one resource for helping members get the most from their benefits. FY 2026 employer initiatives included:

- Hosted the first ever Employer Conference in partnership with Fiscal Services, Benefits and Member Services, KPERS 457, The Standard and Empower at Maner

Conference Centre/Hotel Topeka on November 7, 2025. Nearly 260 employers from around the state attended. The 2025 Employer Conference replaced KPERS usual in-person workshops, which also historically garnered about 300 attendees.

- Conducted six in-person employer educational workshops attended by 100 employers, and two webinars and training sessions attended by more than 260 employer representatives.
- Communications staff provided support to the Training and Education Team for annual employer workshops. Staff published webinar recordings and slides on the Employer Training page for employers who were not able to attend.
- Benefit and Member Services and Communications hosted webinars specifically for new designated agents. These covered the basics to help new employer contacts understand their responsibilities.

INVESTMENTS

The most significant accomplishment for the Investment Division during FY 2026 was remaining on-plan in implementing the System's asset allocation strategy. This required significant investment pacing in the private market program. Investment staff conducted due diligence and received approval from the Board to make 18 new commitments totaling $2.4 billion across private equity, real estate and real assets. Notably, nine of these were with commitment to new managers. Asset rebalancing activity was also conducted as required to keep within approved allocation ranges as well as to manage the System's cash flow needs.

The System is on track to move to the long-term asset allocation targets approved by the Board.

Investment Performance

The Retirement System's investment portfolio produced a total return of 14.2% for FY 2026, trailing the Policy Index benchmark by -2.9%. For the three years ending June 30, 2026, the System's investment portfolio produced an 11.4% total return, which was -1.9% below the Policy Index return of 13.3%. The investment portfolio delivered an annualized return of 7.2% over the five years ending Jume 30, 2026, which was below the Policy Index by 0.4%. The 25-year average annualized total return was 7.6%, which was 0.1% ahead of the Policy Index return of 7.5% for that period. The 20-year average annualized total return was 7.6%, which is 0.6% above the 7.0% investment assumption. The 20-year expected average annual return for the portfolio is 7.6%, based on the long-term asset allocation policy adopted by the Board in November 2024. Achievement of the 7.0% total return assumption has improved.

The System's portfolio risk and return outcomes ranks favorably in the TUCs Master Trust – All Plans Universe comparisons. The System's return ranks above median over the five-year

and ten-year periods ending December 31, 2025 (38th and 45th percentile, respectively). The portfolio delivered above median return at a lower risk level than the median fund (69th and 65th percentile, over the five-year and ten-year periods, respectively).

Investment Staff Activity

Highlights of the Investment Division's accomplishments during FY 2026 include:

- The Investment Division continued prudent oversight of the System's 166 externally managed portfolios and funds across public and private markets.
- Investment staff coordinated management and oversight activities over 92 investment management firms. These activities include quarterly performance and portfolio review calls on all public market portfolios and regular update meetings, annual meetings, and Advisory Committee meetings for private markets investments.
- Investment staff presented and received Board approval for $2.4 billion in new commitments across 18 private investment funds: five real estate, six real assets and seven private equity investments (of which nine were investments in new managers):
    - **Real Estate:** Ares US Real Estate Fund X (new manager), Blue Owl Real Estate Fund VII (new manager), Heitman HART Fund, Marcus Capital Partners Fund V (new manager), Realterm Logistics Fund V (new manager)
    - **Real Assets:** Blackstone Infrastructure Partners (new manager), Brookfield Super-Core Infrastructure Partners , BTG Pactual OEF (new manager), IFM Global Infrastructure (US), L.P., JPM IIF Hedged, RMS Evergreen Fund
    - **Private Equity:** Great Hill Equity Partners IX (new manager), Green Equity X, Lead Edge Capital VII (new manager), Lux Ventures IX (new manager), Quad-C XI , TowerBrook VII, Warburg Pincus Global Growth 15

- The System concluded the liquidation of Carmona Tristar-LA timberland investment managed by Molpus. This was the final holding managed by Molpus, concluding the orderly divestiture approved by the Board in September 2021.
- Asset class allocations have been maintained in target ranges throughout FY 2026.
- Investment staff facilitated Board educational sessions on:
    - *Investment Basics for Trustees*
    - *How Private Equity is Changing KPERS Trust Fund Returns*
    - *Global Macro Policy Outlook*
    - *An Investment Perspective on Artificial Intelligence*

- Investment staff completed the annual proxy voting summary report, posting the report on the System's website and reporting out to requisite bodies as required by statute.

- Investment staff worked with consultants to develop and present the 2026 pacing plans for private equity, real assets and real estate. Semi-annual performance reports were presented for private equity, real assets and real estate in November 2025 and May 2026.
- Issued a request for proposal for General Investment Consulting Services. Responses were received and a recommendation will be presented at the July 2026 trustee meetings.
- The Chief Investment Officer (CIO) arranged for external speakers at six Investment Committee meetings and the October Board education session to present their views on markets, economics and geopolitical events.
- Investment staff continued to utilize available tools to manage and report on the portfolio. These include State Street's Performance Reporting and their Compliance Repotting Systems, Barra risk reporting and internally developed monitoring systems.
- Reviewed the Statement of Investment Policy and the Proxy Voting Policy and presented necessary updates to the Board of Trustees. The Board adopted both Policies as required by statute.
- Completed the annual Disclosure Reporting by investment managers and the proxy voting audit and provided reporting on these topics to the Board.
- Developed agendas, written materials, and oral presentations for the Board's Investment Committee meetings.
- The Division has six Chartered Financial Analyst® (CFA®) charter holders and one Chartered Alternative Investment Analyst (CAIA) charter holder on staff.
- There were no personnel changes in the Investment Division in FY 2026.
- The CIO and the Deputy CIO for Private Markets continued to work with KS Commercial to manage the 611 S. Kansas building as an asset in the Real Estate portfolio. During FY 2026, significant progress continued in addressing building improvements.
- Kansas Housing Resource Corporation's lease for the third-floor space terminated in February 2025. The System hired a contractor to remodel the third floor for use by all agency divisions. Construction in this space is complete, and staff have moved into the new offices.

FISCAL ACCOUNTABILITY AND INTERNAL CONTROLS

It is our goal as fiduciaries to provide proper fiscal accountability for the funds we manage on behalf of our members and their beneficiaries, and to establish a system of internal controls to protect the System's resources. Fiscal accountability and internal controls, results and initiatives for FY 2026 include:

- Received unqualified opinions on the FY 2025 financial audits of the Retirement System, the GASB 68 report, and the SOC 1 Type 2 report from Baker Tilly.
- Received the Public Pension Coordinating Council (PPCC) Public Pensions Standards Award to KPERS for 2025.
- The Deputy Chief Fiscal Officer, Investment Controller and Employer Reporting Unit Manager attended the Public Pension Financial Forum's (P2F2) annual conference held in Phoenix in October 2025. This organization's mission is to serve its membership through education, pension advocacy, and networking by promoting financial excellence for public pension plans.
- The Deputy Chief Fiscal Officer attended the annual GFOA conference in Chicago in June 2026.
- Implemented *Workiva,* the financial reporting software for the annual comprehensive financial report (ACFR) and budget processes in FY 2026. This new platform streamlines and automates many of the manual tasks previously required for annual reporting and day-to-day operations. A dedicated full-time Fiscal Services team member with technical expertise is evaluating the software's capabilities and current business processes to maximize automation, improve efficiency, and enhance reporting workflows.
- Continued participation in the KAPS Modernization project. The Employer Reporting Unit team members are active participants in the Employer Web Portal, Employer Reporting and Optional Life Insurance.
- The Employer Auditing Unit issued and completed 108 employer audits during FY 2026. The Auditing Unit also coordinated field work with KPERS Internal Audit on our required GASB 68 audit.
- The Employer Reporting Unit has a dedicated Employer HelpLine number and email account to assist employers with questions about reporting information to KPERS. The Unit handled over 27,000 calls and emails from employers and processed over 3,800 certifications during FY 2026. In addition, the Unit sent over 33,000 letters to agencies on various topics.

INFORMATION TECHNOLOGY

KPERS strives to maintain accurate member, employer and financial data while keeping data secure. Highlights of the Information Technology Division's and Information Security Department's performance results and accomplishments in FY 2026 include:

- Implemented security solutions to verify account access and protect KPERS from potential breaches by bad actors. Staff continued to work with LexisNexis on further enhancements to safeguard our systems and verify both users and their associated bank accounts.
- The Application Development Team continued to support our existing application by completing dozens of prioritized, emergency, operational Problem Incident

Reports on our monthly deployment cycle. Development staff also participated in the annual generation of the CY 2025 Actuary, 1099-R, Census Data and Member Annual Statement files.

- In partnership with Benefits and Member Services, IT and the Information Security Team implemented additional features to enhance fraud detection and improve security for processing transactions and accessing the Member Web Portal. Staff developed additional standard operating procedures to monitor member accounts of potential or attempted fraud. Staff also identified and began planning for additional features implemented during FY 2027.
- As part of the pension administration system modernization efforts, staff continued efforts on data cleansing, developed a data migration plan, migrated all images from FileNet to the KAPS (Arrivos) application, and upgraded our current Kofax to Total Agility.
- Continued work on documentation, policies and processes in preparation for the adoption of artificial intelligence.
- Completed a successful disaster recovery test.
- Continued working with Genus Technologies to migrate our existing FileNet images from KITS to KAPS.
- Continued efforts to digitize legacy documents for Benefits and Members Services. KPERS IT and BMS partnered with BTCO, Inc., in Wichita, to scan pension-related legacy documents, microfilm and microfiche.
- Initiated the enterprise-wide Nutanix (virtual servers) migration project, moving all core infrastructure from VMware.
- Implemented changes for the American with Disabilities Act (ADA) compliance project for Web Content Accessibility Guidelines, which included testing on the Member and Employer Web Portals.
- Refined the Member Annual Statements processes, which helped deliver the statements much earlier than in prior years.
- Worked on an artificial intelligence proof of concept related to proxy voting on KPERS' investments.
- Implemented the one-time passcode process for the Member Web Portal.

PENSION ADMINISTRATION SYSTEM MODERNIZATION

The Pension Administration Modernization Project officially launched in October 2024 with initial project management planning and began the first design iteration in January 2025. A summary of FY 2026 modernization initiatives include:

- Successfully completed research, pre-design preparation and requirements and designs for three iterations:
    - Employers and Employments

    - Employer Reporting
    - Refunds and Optional Life Insurance
- Successfully completed pre-design preparation with requirements and design in progress for:
    - Service Purchases
    - Retirement Benefit Estimates
- Began working on pre-design research, data considerations and unique processes or requirements for future iterations:
    - Retirement Applications
    - Disability Processing
    - Qualified Domestic Relations Orders (related to members who divorce)
- Improved our business requirements process to be more efficient by providing details earlier (including forms and correspondence needs), clearly identifying critical path items, conducting efficient meetings and scheduling additional design sessions when needed.
- Established standard processes to ensure correspondence and forms have a clear content creation approach that uses plain language and supports KPERS' brand.
- Successfully completed content and design of letters, emails and forms for various iterations:
    - **Employers and Employments:** 100% complete
    - **Employer Reporting:** 95% complete
    - **Optional Life Insurance:** 90% complete
    - **Refunds:** 90% complete
    - **Legal Representative:** 60% complete
    - **Service Purchases:** 55% complete
- Implemented the vendor's enhancements (in response to KPERS' requests) to a newly-designed tool being used by KPERS staff to configure select workflows, including workflows for Employer Affiliation, Legal Representatives, Optional Life Insurance Data Reviews and Optional Life Insurance Elections.
- Successfully established and routinely met with core working group of State of Kansas employees from the Department of Administration to facilitate State payroll reporting (our largest employer) and the debt setoff process for Retirement System benefit payments. We will expand this group and discuss the design of additional features in future years.
- Successfully held quarterly meetings with Employer Reporting Panel (ERP), a small advisory group of school and local employers. Discussed commonly used payroll providers and new pay period reporting specifications. Staff are currently using ERP feedback regarding the pay period reporting file layout to design future informational and training sessions.

- Refined our user acceptance testing approach to ensure blocking and critical defects are identified by the project team, resolved by the vendor and successfully re-tested before involving testers from the business units. This included adding two contract testing positions to the project team.
- Successfully completed project team testing of two iterations – Demographics and Employers and Employments. Retested these iterations after blocking and critical defects were resolved by the vendor, and again after medium- and low-level defects were resolved.
- Preparing for project team testing of additional iterations in Fall 2026 with extensive test case development and documentation. This includes evaluating our ability to use Co-Pilot to assist with test case creation.
- Testing and refining our approach to testing various "calculators" the new system will use to calculate membership dates and tiers, vesting status, portability provisions and retirement age and dates. This involves development of extensive test cases, which will be used throughout the project for unit testing using the automatic unit testing framework. Additional test cases will be added throughout the life of the project.
- Establishing procedures and identifying training materials to help our business unit testers successfully test several iterations beginning in early- to mid-2027. Also tracking system validations to ensure consistent messaging and ease of understanding for staff and employers.
- Completed 12 data releases to provide supporting data and data mapping for various iterations and the data migration efforts. Also implemented additional data reconciliation for record counts to ensure data cleansing does not unintentionally change those counts.
- Successfully reconciled existing system data with new system data for initial iterations:
    - **Demographics:** 100% complete
    - **Employers and Employments:** 83% complete with 17% with known reasons to be addressed in future iteration.

- Successfully converted 1% of our total images for use in initial testing and to test approach for migrating images.

LEGISLATION, PLANNING AND RESEARCH

Several of the System's activities fall into the general category of legislation and long-term planning designed to improve the System's benefits, services and funding. Results and initiatives in this area for FY 2026 include:

Presentations

Several outside groups requested meetings and presentations during the year, including:

- Kansas Association of School Business Officials (KASBO)
- Senate Republican Caucus
- Kansas State Firefighters Association
- Senate Freshman Republicans

On the actuarial side, staff worked closely with KPERS' consulting actuary to prepare and deliver the Board presentation on the December 31, 2025 actuarial valuation. Staff also represented KPERS at the National Association of State Retirement Administrators (NASRA) annual conference, attending sessions on pension administration modernization, public pension funding, artificial intelligence, actuarial methods and the current investment climate.

Legislation

Much of the year's legislative work centered on the budget. Staff assembled the FY 2027 budget narrative, including an updated overview of the pension administration system modernization plan, and the Board approved both the FY 2026 and FY 2027 budgets in November. That work carried into the fall, when staff presented an overview of the KPERS FY 2026 and FY 2027 budget request to the Legislature's Special Committee on the State Budget, and again in October, when staff compiled information on the annual actuarial valuation, KPERS 3 benefits, the Deferred Retirement Option Program (DROP), and the Kansas Retirement Investment and Savings Program (KRISP) for the Joint Committee on Pensions, Investments and Benefits.

As the 2026 Session approached, staff updated actuarial and administrative background materials on cost-of-living adjustments, defined contribution plan design, and KPERS 3. Over the course of the 2026 Session, staff prepared six fiscal notes, seven bill summaries, six pieces of testimony on three bills, and delivered overview presentations to two legislative committees.

Staff also maintained bill summary documents for all KPERS policy bills introduced during the Session. Staff finalized legislative documentation and the KPERS bill tracker at the close of Session. Throughout the year, staff responded to inquiries from members, legislators, and the Division of Budget regarding the status and content of bills and legislative proposals.

Planning and Research

- Staff coordinated review of the pension actuarial valuations with KPERS' consulting actuary and staff, and completed testing and transmission of the annual census data file to the actuary, responding to related follow-up questions along the way.

- Staff also served on Procurement and Negotiating Committees for the disability appeals administrator, disability administrator and general investment consultant selections.
- Staff responded to the annual surveys from the National Conference on Public Employee Retirement Systems (NCPERS) and the Public Pension Coordinating Council (PPCC). KPERS received the PPCC Standards Award for funding and administration as a result.
- Staff also prepared responses to information requests throughout the year from legislators, Trustees, and other interested parties on a range of topics related to KPERS' data, funding, and administration, and monitored nationwide developments in public pension funding, plan design, and administration across the public pension universe.

Data Cleansing and Migration

Staff continued to serve as project sponsor for the data cleansing and migration engagement with CATCH Intelligence, preparing KPERS' data for the new Tegrit pension administration system (KAPS). Over the course of the year, all in-scope tables were staged in the migration mart, and reconciliation between CATCH and Tegrit advanced steadily across successive iterations. In FY 2026, CATCH completed reconciliation on the first iteration and more than 90% reconciliation on the second iteration.

The Core Working Group and internal data steering committee met regularly throughout the year to identify, prioritize, and resolve data-quality issues surfacing during migration, including invalid social security numbers, member type inconsistencies, blank employer-reporting fields, and overlapping start and end dates. Throughout, staff coordinated with CATCH to keep table loading and reconciliation ahead of the Tegrit implementation schedule, so that KPERS' data would be ready for each round of user acceptance testing.

DEFERRED COMPENSATION

The System coordinates deferred compensation activities for State agencies and local employers that have elected to participate in the voluntary program. Results and initiatives in the program as of March 31, 2026, include:

- At the end of Calendar Year 2025, there were 28,797 participants in the KPERS 457 plan. This is a 0.4% decrease over 2024. In CY 2025, 2,880 new participants enrolled in the Plan.
- Total plan assets increased by 9.3% from $1.57 billion in March 2025 to $1.71 billion in March 2026. Of the total, State employees held $1.07 billion in assets and local members held $640 million in assets.
- Total Plan deferrals for CY 2025 were $86.3 million; a 3.2% increase compared to CY 2024 at $83.6 million.

- The number of actively deferring participants increased to 14,949 as of March 31, 2026. This is a 4.5% increase over the previous year at 14,309.
- Collaborated with Empower on strategic planning to improve plan outcomes and effectiveness in CY 2026, with a focus on increasing the number of employees deferring into the plan, participant enrollment, using data collection measurement, communications, administrative efficiencies, coordination with KPERS' pension plans and future enhancements.
- Executed 27 new joinder agreements with local units of government affiliating with the Plan in CY 2025, with an additional five joinder agreements signed through March 2026.
- Completed the 2025 Participant Satisfaction Survey. There were 809 responses to the survey, with a combined overall satisfaction rate of 92.2% (satisfied or very satisfied). The survey showed strong results regarding the website as a good resource that is easy to use, positive interactions with Empower Retirement Plan Advisors, and quality of communication/education materials.
- Continued to develop and produce a KPERS 457 Plan Dashboard of Key Performance Indicators. This is compiled monthly and provided to members of the KPERS Executive Committee. Measures include total Plan assets, number of participants, number of active plans, average participant balance, investment diversification, top five funds participants invest in and various participant statistics.
- Partnered with Moss Adams to complete a financial statement audit for CY 2025 for KPERS 457. Results of the audit will be available at the July 2026 Audit Committee meeting.
- Plan fees remained highly competitive (as of March 31, 2026). The gross weighted average net investment expenses were 32.4 basis points. This was 31.5 basis points when crediting net of revenue sharing to participants. Recordkeeping fees of 10.0 basis points for the final three quarters of 2025 and for the first quarter of 2026 produced $1.70 million in revenue to Empower (as of March 31, 2026), a decrease of $36,000 over last year's amount. KPERS 457's administrative 4.5 basis points. This generated about $764,000 during the 12 months ending March 31, 2026. This was an increase of $48,200 over last year's administrative fee receipts.
- KPERS 457 staff attended multiple Employer and Employee Benefits fairs for both State and Local employers, as well as provided educational webinars on nearing retirement, financial wellness, benefits of Roth savings, and various Plan-specific educational subjects.
- The use of Empower's Managed Accounts product provides participants with the ability to request specific investment advice related to their account for a fee paid by the participant. To date, over 2,200 participants have enrolled in the program.
- The KPERS 401(a) plan has surpassed 1,000 participating members across 43 local employer plans. Assets held in the plan are in excess of $20.9 million.

- KPERS 457 staff continue to work with local employers on the Auto Enrollment/Escalation pilot program. There are currently seven local employers interested in joining the pilot. The next steps are to educate the employers on how to provide eligible employee data to Empower, establish the optional provisions available to each employer, and amend the KPERS 457 plan document to reflect the addition of the pilot program. The goal is to have the program operational by the end of summer 2026.
- Conducted quarterly informational meetings with the Department of Administration and KPERS Benefits and Member Services leadership to keep them informed of upcoming Plan initiatives, as well as providing them with a forum to share subject matter that was relevant to the Plan.
- Empower has entered into a sublicensing agreement with KPERS 457 to occupy two office spaces on the third floor of the KPERS building. This will allow participants to meet directly with Empower staff regarding KPERS 457 matters. Empower has conducted over 90 onsite meetings with participants since the first of the calendar year.

Agency Wide Overview of FY 2027 and FY2028 Budget Information

Administrative Expenses

The Administrative Expenses portion of the budget document covers those costs, including all staff, associated with the operations of the System. Administrative expenses are divided into four categories: general operations, death and disability, treasurer's unclaimed property, and deferred compensation.

General Operations

The general operations expenses are estimated to total $44.4 million in FY 2027 and $49.3 million in FY 2028. The request for FY 2027 and FY 2028 includes the funding for the multi-year pension administration system modernization effort. Compared to total benefit payments, general operations expenditures equal only 1.65% of total benefit payments in FY 2027 and 1.75% in FY 2028.

Death and Disability

Administrative expenses related to the death and disability program includes the proportional salaries and contract costs related to the program. In the past, these expenditures have been reflected in the general operations budget, but are now separated to comply with current accounting standards. Death and disability expenditures are estimated to be $438,318 in FY 2027 and $456,476 in FY 2028.

Treasurer's Unclaimed Property

The administrative expenses for the management of non-KPERS investments in the Treasurer's Unclaimed Property Fund are estimated to total $100,000 in both FY 2027 and FY 2028. Investment related expenses associated with the Treasurer's Unclaimed Property program are not reflected in the administration budget. The administrative expenses associated with the Treasurer's Unclaimed Property Fund management are charged to the Fund.

Deferred Compensation

Administrative expenses related to the State and Local Deferred Compensation Plan are funded by the Deferred Compensation Trust Fund as required by law. No expenses for the Deferred Compensation Plan are funded by the KPERS Trust Fund. Total administrative expenses are estimated to be $727,052 in FY 2027 and $781,567 in FY 2028.

Investment Related Expenses

Investment related expenses reflect the costs related to both the internal KPERS investment staff and external investment managers. Most investment related expenditures are investment

management fees on over $32 billion in total Trust Fund assets. Estimated FY 2027 expenditures total $58.8 million, which includes $54.0 million for investment management and consultant fees and $4.8 million for administration. FY 2028 investment related expenses are estimated to be $61.0 million ($56.0 million for investment related expenses and $4.9 million for administration).

Investment-related expenses are developed by projecting the growth of the portfolio from the current value on June 30, 2026, by the net of the System's 7.00 percent actuarial Investment assumption less benefit, investment, and administrative expenses. Management fee estimates are regularly updated to reflect the System's actual investment experience. Investment related expenses were 0.174% of the System's assets in FY2026, projected to be 0.176% in FY2027 and 0.170% in FY2028.

Benefit Expenses

The System's actual and projected benefit expenses are expected to increase as a result of the growing number of retirees. Total benefit expenses (including monthly benefits, partial lump sum options, death benefits, withdrawals, etc.) are estimated to total $2.605 billion in FY 2027 and $2.731 billion in FY 2028.

Revenues

At a 7.0% assumed rate of return, investment earnings are estimated to total $2.00 billion in FY 2027 and $2.18 billion in FY 2028. Total combined employee and employer contributions for pension, death and disability and optional group life insurance are estimated to be $1.74 billion in FY 2027 and $1.83 billion in FY 2028. This reflects the certified employer contributions set in the 2023 and 2024 actuarial valuations, which includes a State/School employer contribution rate of 11.32 % in FY 2027 and 11.38% in FY 2028.

Explanation of Receipt Estimates – DA 405

K.S.A. 74-4902 (19) and K.S.A. 74-4921 establish the Kansas Public Employees Retirement Fund. The fund was created for the payment of expenses and benefits under the Retirement System. K.S.A. 74-4920 provides that the Division of the Budget and the Governor shall include in the budget and in the budget requests for appropriations for personal services the sum required to satisfy the state's obligation under the Retirement Act as certified by the Board and shall present the same to the Legislature for allowance of appropriation. Finally, K.S.A. 74-4939 provides that participating employers under K.S.A. 74-4931 (School Employers) shall certify to the State Board of Education before September 15 of each year the anticipated total compensation to be paid during the next fiscal year to employees who are or are to become members. The State Board of Education is required to transmit the necessary compensation information to the Division of Budget and the Governor, who shall include in the budget and budget document each year provisions for the transfer from the State General Fund of sufficient sums to satisfy the participating employer's obligation under the Retirement Act.

K.S.A. 74-4919 established an employee contribution rate under KPERS of 6% for all members that became members prior to July 1, 2009, K.S.A. 74-49,210 establishes a rate of 6% for all employees with membership on and after July 1, 2009, and K.S.A. 74-49,305 establishes a rate of 6% for all employees with membership on and after January 1, 2015.

K.S.A. 74-4920 establishes the State employer contribution rate and a local employer contribution rate. State statute delegates the certification of employer contribution rates to the KPERS Board of Trustees. This is accomplished through the completion of an annual actuarial valuation, which includes the actuarial required contribution rate each year. The combined State/School Group employer contribution rate for FY 2027 is 11.32% and 11.38% for FY 2028. The State/School statutory employer contribution rates are equal to the actuarial required contribution rate in both FY 2027 and FY 2028.

Local employer contribution rates are paid on a calendar year basis. In CY 2027 the local employer rate is 9.44% and in CY 2028 the employer contribution rate is 9.35% for local employers. Local employers have been contributing the full actuarial rate since CY 2015.

The State was in the process of making additional payment on delayed contributions from FY 2017 and FY 2019. However, 2022 SB 421 appropriated the remaining balance of those delayed contributions, and no further payments are scheduled.

Each employer contributes to the Group Insurance Fund. The employer insurance contribution rate is established in K.S.A. 74-4927 as 1.0% of compensation. The Legislature has, from time to

time, placed a moratorium on contributions to the Group Insurance Fund, most recently for all of FY 2021 for State/School employers and July 2021 through June 2022 for Local employers.

A special class of correctional employees in KPERS has a different plan design than regular KPERS members; Correctional Group 55 (C55), which is generally correctional officers, has a normal retirement age of 55 and Correctional Group 60 (C60), which is other correctional employees with regular inmate contact, has a normal retirement age of 60. Employer contributions for this group differ slightly due to the plan design differences. For FY 2027, the employer contribution rate is 12.30% for the C55 group and 12.78% for the C60 group. For FY 2028, the employer contributions are scheduled to be 12.41% for the C55 group and remains at 12.78% for the C60 group.

K.S.A. 20-2603 establishes the employee contribution rate for Judges at 6%. The employer rate of contribution for Judges is 21.29 % in FY 2026 and 20.42% in FY 2028.

FY 2027 and FY 2028 revenue estimates for the Kansas Police and Firemen's Retirement System are based upon an employee contribution rate of 7.15%. KSA 74-4954b allows employers to affiliate under KP&F for future service only. Under this method of affiliation, the local employers will contribute at the uniform rate of 24.51% in CY 2027 and 23.81% in CY 2028. The revenue estimates for the Kansas Police and Firemen's Retirement System also take into account the provisions of K.S.A. 12-5001 and 12-5007 affecting cities that presently have local police and fire pension funds. Any city with local police and fire plans may merge the plans with KP&F and discontinue the administration of the local funds. Cities not presently in KP&F thereby become new participating employers in the statewide system; the contribution rates for such cities are 16.0% of salary for the first year after merger and, in subsequent years, the rates certified by the Board.

PROGRAM TITLE:

OPERATIONS

PROGRAM EXPLANATION:

This program provides a centralized agency to accumulate funds and statistical information on more than 350,000 active, inactive, and retired members of the various systems under its jurisdiction. It provides services to more than 1,500 participating employers and their members in the areas of (1) determining creditable service, (2) purchasing and repurchasing service credit, (3) withdrawing, (4) retiring, (5) death and long-term disability benefits, and (6) prompt and accurate financial reporting.

LONG TERM TRENDS:

KPERS assets are invested according to the "prudent expert standard of care" for the sole purpose of providing benefits to our members. Solid investment performance over the long-term is vital to sound funding. KPERS' investment strategy is designed to withstand short-term market volatility and economic downturns, as well as to benefit from strong market and economic environments. The FY 2025 investment return was 10.3%.

According to the Retirement System's most recent actuarial valuation (12/31/2025) the State/School group funded ratio is 76.3%. The total System funded ratio is 74.9%, up from a low of 56.4% in the 2012 valuation. The funded ratio is the ratio of actuarial assets to future liabilities. Long-term funding remains a primary focus of the System. The 2012 Legislature made plan design changes to the KPERS plan for employers, current employees, and future employees. These changes are a major step toward making the Retirement System more sustainable and helping to pay promised benefits long-term. Positive investment gains in recent years have helped to improve the funded ratio of the System in the short term, the Legislative changes were designed to ensure continued improvement and sustainability in the long term.

Associated with the funding issues, numerous requests for information and analysis are being placed upon the agency. In addition, demands are being placed on the agency to provide counseling services, retirement benefit estimates, more informative annual statements, and to be able to respond more promptly and accurately to the requests of more than 350,000 members and 1,500 participating employers. In the future it will be of even greater importance that the System have the capability to process information accurately and quickly as well as serve the needs of an even greater number of active and retired members.

KPERS General Operations

	FY 2027 Request	FY 2028 Estimate
Total General Operations Expenditures*	$45,125,184	$50,098,463

*Total reflects General Operations, Death and Disability, Treasurer's Unclaimed Property Fund and Deferred Compensation administrative expenses. Included in FY 2027 and FY 2028 are expenditures related to the modernization of the pension administration system.

EXPENDITURE JUSTIFICATION:

Account Code Series 100: Salaries and Wages

FY 2027 – $18,002,224; FY 2028 – $18,984,506: The agency administers three programs (Operations, Benefits, and Investment Related Expenses). Staffing includes 99.35 unclassified positions. The Board of Trustees has statutory authority to create both classified and unclassified positions as well as setting the salary for unclassified positions. Traditionally the agency has not been subject to a full-time position limitation. The Board of Trustees received and approved a market study of salaries with a goal of rewarding performance, retaining experienced staff, and when necessary recruiting quality staff. Fringe benefit costs are also increasing, primarily for contributions for KPERS and group health insurance.

The Fiscal Year 2027 and Fiscal Year 2028 budget requests reflect continuing the current level of staffing, including the salary adjustment approved by the 2025 Legislature and other merit adjustments approved by the Board of Trustees. There is an increase in salaries and wages to account for a 27th payroll in FY2028, which occurs approximately every 11 years under a bi-weekly payroll schedule. Additional staffing expenditures are also anticipated during the pension administration system modernization (additional detail in modernization overview section of the budget narrative); however, those positions will initially be contract positions. During the modernization process, KPERS will determine if the positions will be necessary on an ongoing basis in future fiscal years.

Account Code Series 200: Communications

FY 2027 – $815,650; FY 2028 – $900,650: This level of expenditures covers all phone services, including the call center (which handles more than 100,000 calls annually), which is imperative to the success of the agency. This also includes postage costs for the various publications that are mailed directly to members.

Account Code Series 210: Freight and Express

FY 2027 – $9,200; FY 2028 – $9,950: KPERS sends members' annual statements to several large agencies for distribution. This also includes overnight express mailings. This mode of

transportation is used as the volume is usually so great that it is more economical than first class mail or parcel post.

Account Code Series 220: Printing and Advertising

FY 2027 – $155,000; FY 2028 – $190,000: Included in this request are several publications required by law. K.S.A. 74-4907(2) requires the Board to provide an annual report covering the operation of the System for the past fiscal year including income and disbursements and the financial condition of the System at the end of the fiscal year, showing the assets, investments, liabilities, etc. Although the report is available electronically, the agency still receives requests for printed copies of the annual report each year to provide from our Designated Agents, legislators, etc.

As an agency that is serving over 232,000 active and inactive public employees and over 117,000 retired members and beneficiaries, it is imperative that KPERS provide members with sufficient information regarding their rights and benefits under the Retirement System. Since its inception in 1962, the Retirement System has expanded in (1) service-connected coverage; (2) group life insurance and long-term disability coverage; and (3) various purchases and repurchases of service credit. To facilitate the transmittal of this information, KPERS publishes many types of brochures and newsletters. Annually KPERS publishes membership guides and other publications used by active members, retiree newsletters, and communication and education to employers. Also requested at this allocation level are the miscellaneous forms, memos, and letterhead used in the day-to-day operation of the System.

Account Code Series 230: Rent

FY 2027 – $85,000; FY 2028 – $90,000: KPERS maintains a business continuity site in Lawrence. Also includes funds for copier leases at the main office, storage facilities for documents and supplies, i.e., envelopes, brochures, manuals, etc. In addition, the System rents meeting room space for designated agent and membership workshops throughout the state.

Account Code Series 240: Repairing and Servicing

FY 2027 – $2,360,000; FY 2028 – $2,800,000: This item includes estimated expenses for maintenance agreements for the agency's computer system maintenance agreements. Also included are estimated expenditures for repairs on computers and related equipment that doesn't qualify as capital outlay.

In June of 1998, KPERS moved to its present location at 611 Kansas Avenue. This building is owned by the Retirement System and the agency is housed rent-free, paying only building management fees and janitorial services.

The FY 2027 and FY 2028 request includes a portion of the expected expenditures for the pension administration modernization project and the computer system upgrades that will be required in these Fiscal Years.

Account Code Series 250: Travel and Subsistence

FY 2027 – $103,260; FY 2028 – $123,260: K.S.A. 74-4906(3) provides that, "Members of the Kansas Public Employees Retirement Board of Trustees attending meetings of such board or attending a subcommittee meeting thereof authorized by such board, shall be paid compensation, subsistence allowance, mileage and other expenses." In addition, K.S.A. 74-4909(15) allows the Board to authorize in-state and out-of-state travel at the federal IRS reimbursement rates. Presently, the KPERS Board has eight members who reside outside the Topeka area. The System is assuming that there will be 7 board meetings in each of FY 2027 and FY 2028.

Travel and subsistence expenditures includes investment-related travel for the Chief Investment Officer, Investment Officers, and the Investment Analysts. Travel involves due diligence meetings with external managers, investment consultants, and the review of potential investment properties.

Other staff travel includes travel by staff members that have contact with the affiliated employers and members throughout the State of Kansas. Much of the traveling involves the work of eight State Auditor positions who audits the employers on-site ensuring that proper procedures are followed in processing KPERS activity.

KPERS also have field representatives that assist employers and members throughout the state. The travel for these employees falls basically into two categories, the first being the travel to the Designated Agents of the participating employers to acquaint them with the various forms, rules, regulations, policies, and guidelines of the Retirement System as they apply to the individual members of the Retirement System and to assist them with specific problems as they occur. Whenever a participating employer of the Retirement System designates a new agent for retirement matters, it is generally the System who provides the basic training for these new agents.

The second category of travel is employee group meeting presentations. These are generally made on request by the group in question and involve a variety of types and numbers of employees. In addition, staff appears upon request on the program of various groups such as City Clerks Association, County Clerks Association, League of Kansas Municipalities, School Board Association, etc., to discuss the Retirement System.

Account Code Series 260: Fees – Other Services

FY 2027 – $857,500; FY 2028 – $1,257,500: Expenditures of other services includes the fees related to the State's Financial Management Software (SMART). This account code also includes funding for contract employees related to the pension administration system modernization.

Account Code Series 270: Fees – Professional Services

FY 2027 – $22,429,101; FY 2028 – $25,412,475: Included are fees for actuarial consulting services related to the actuarial funding valuation, review of proposed amendments; assistance in preparation of rules and regulations; actuarial advice; review of benefit award calculation procedures; plan design modeling; general consulting advice on Retirement System concepts and administrative procedures and an annual analysis of experience of the insured benefit program with advice as to possible changes in line with actual and projected experience. Actuarial services have increased in recent years to comply with the new Governmental Accounting Standards Board (GASB) 67, GASB 68 and GASB 75 requirements.

The System utilizes outside legal services for representation and counsel in matters of potential or actual litigation with the Federal government or with individual plan participants relating to the federal tax treatment of plan benefits.

Computer programming and support continues to be the largest professional service cost. The current vendor provides software assurance support, maintenance, and modifications of the membership information system (KITS). Included in the budget request are the annual expenditures to maintain the System's disaster recovery hot site and ongoing security analysis and maintenance of the System's information system.

The FY 2027 and FY 2028 budget reflects expenditures necessary to have the technical and infrastructure needs in place begin a modernization effort of the existing pension administration system. The budget request reflects the estimated costs to continue the modernization project in FY 2027 and FY 2028. Additional detail on the modernization effort is included in a separate section of this narrative.

Account Code Series 280: Utilities

FY 2027 – $5,000; FY 2028 – $5,000: The amount budgeted for utilities are specific to KPERS business continuity site in Lawrence.

Utilities for KPERS' Topeka office are included in the building management contract and included in account code 270.

Account Code Series 290: Other Contractual Services

FY 2027 – $66,200; FY 2028 – $91,200: Included is an amount for the cost of insurance and building services at 611 Kansas Avenue.

Included in the item of Other Contractual Services are membership fees to national public pension organizations such as National Association of State Retirement Administrators. The System provides data and information on KPERS and KP&F for the *Public Fund Survey*. KPERS provides an annual report on the legislative and administrative changes and developments in the State of Kansas and responds to periodic surveys or questionnaires on retirement questions. A membership fee is also included to the National Council on Teacher Retirement. These associations are for the exchange of technical concepts involving all phases of public employee retirement system including, but not limited to, actuarial, accounting, investments, administrative procedures, legislative enactments, new developments, and concepts relating to retirement systems, both in the public and private sectors.

Other dues include the National Association of Pension Plan Attorneys, the Association of Public Pension Plan Auditors, and the International Foundation of Employer's Benefit Plans. Also included is a membership in the Governmental Finance Officers Association of the United States and Canada. GFOA is an association of professionals and among other things is a clearinghouse of new ideas, procedures, and developments in the field of municipal accounting. GFOA has several divisions, one of which is Public Employee Retirement System. The GFOA in conjunction with the National Council on Governmental Accounting (NCGA) sponsors a Certificate of Excellence in Financial Reporting program.

KPERS subscribes to a locator service provider, Accurint, to locate and identify correct members addresses. This enables the Retirement System to have instant access to a database of records that provides a valuable tool in finding members or former members who are entitled to benefits or a return of contributions.

The agency also subscribes to services such as NYSE Market Inc., Dow Jones & Co., Inc., and Wolters Kluwer Financial Services, Inc. for the purpose of monitoring developments in the financial investment markets.

Employee awards are included based on the Governor's initiative to recognize the high level of service provided by state of Kansas employees. A portion of the budgeted expenditures include official hospitality related to employer and employee workshops and meetings.

Account Code Series 340: Maintenance, Material, Supplies, Parts

FY 2027 – $2,500; FY 2028 – $2,500: This is requested for cables, power cells and various supplies related to the System's computer connections.

Account Code Series 350: Motor Vehicle Parts

FY 2027 – $5,000; FY 2028 – $5,000: Included within this account code series are expenditures for the purchase of gasoline by Field Auditors and Field Representatives.

Account Code Series 360: Professional and Scientific Supplies and Material

FY 2027 – $20,500; FY 2028 – $20,500: Included within this Account Code Series are subscriptions to professional publications and/or services such as the K.S.A. Supplements, The Kansas Bank Directory and miscellaneous technical publications and supplies.

Account Code Series 370: Stationery and Office Supplies and Material

FY 2027 – $80,150; FY 2028 – $80,150: This item includes retirement benefit envelopes and other envelopes, office stationery, fax machine supplies, copy machine supplies and general office supplies.

Account Code Series 390: Other Supplies, Materials and Parts

FY 2027 – $8,000; FY 2028 – $15,000: Expenditures for other supplies, materials and parts is primarily for household supplies, including materials for board meetings, other employer and employee meetings, and cleaning supplies for staff common areas.

Account Code Series 400: Capital Outlay

FY 2027 – $500,000; FY 2028 – $500,000: This includes printers, computers, information processing equipment, office furniture, equipment, and software for both KPERS main office as well as the disaster recovery and business continuity sites.

KPERS Pension Administration System

KPERS relies on a pension administration software that helps collect data and contributions from employers, as well as process and pay out benefits to members. The current system was implemented back in 2005. Over the last 20 years, numerous updates have been required to keep up with changes in pension plan design. These adjustments stem from both internal needs, like streamlining business processes, and external changes, such as legislative changes.

Key updates include the introduction of KPERS 2 in 2007 and KPERS 3 in 2012. With the launch of KPERS 3, a cash balance plan, KPERS had to shift from an annual reconciliation process to a more complex pay period reporting system for both employee and employer contributions.

Although the current system still supports KPERS' core functions of collecting contributions and paying benefits, it increasingly requires manual work from staff. The many customizations made over the years have also led to inefficiencies and growing instability. As a result, maintaining the system is becoming harder, and it's struggling to keep up with best practices in pension administration.

The modernization is critical to KPERS administrative processes and the payment of benefits over the long-term.

Modernization Project

KPERS completed a request for proposal in the fall of 2023. After receiving proposals from two qualified vendors, KPERS selected Tegrit and their Arrivos pension platform to partner on the project. The project officially launched in October 2024, with the first design iteration beginning in January 2025.

The project timeline spans nearly five years, running from January 2025 through a projected completion in November 2029. The modernization will be completed in 11 iterations. As of June 2026, KPERS has completed design for three iterations:

1. Employers and Employments
2. Employer Reporting
3. Refunds (currently called Withdrawals) and Optional Life Insurance

Design is currently underway for the Service Purchases and Retirement Benefit Estimates iterations. Pre-design work has also begun on the Retirement Application, Disability Application and Qualified Domestic Relations Order (QDRO) iterations. Each module requires design sessions, data cleansing, mapping and migration, user acceptance testing and data reconciliation to ensure the new system and the related data are performing as required and expected. The project team has completed testing of the Demographics and Employers and

Employments iterations, with testing of additional iterations planned for fall 2026 and business unit testing anticipated to begin in spring 2027.

To keep pace with this schedule, KPERS has refined its design approach by identifying critical path items earlier, conducting more efficient meetings, and adding two full-time subject matter experts from the business units to the design team. Staff have also implemented vendor enhancements to the workflow configuration tool used by KPERS staff and continue to meet quarterly with the Employer Reporting Panel, a small advisory group of school and local employers, to incorporate employer feedback into the design process.

FY 2027 and FY 2028 Budget Request

The total expected expenditures for the modernization project are about $75 million. For FY 2027, the budgeted expenditures for the modernization project total $18.6 million. This increases to $21.4 million in FY 2028.

Enhancement Package

No Enhancements are requested for FY 2027 or FY 2028.

INVESTMENT ACTIVITIES

The 1970 Legislature in Chapter 324 (K.S.A. 74-4921) amended the investment authority and authorized the Board to enter into contracts with one or more persons whom the Board determined to be qualified to perform the investment functions of such portion of the fund as the Board decided to allocate to each manager. The first contracts for investment manager service were effective May 18, 1971.

Investments are made in accordance with state statute and the Statement of Investment Policy, Objectives and Guidelines, as maintained by the Board. The investment policy specifies a long-term target asset mix (based on market value) of 23.0 percent domestic equities, 18.0 percent international equities, 12 percent core fixed income, 13 percent real assets, 8 percent non-core fixed income, 12 percent real estate, 11 percent alternative investments, and 3 percent cash equivalents. This target asset mix was adopted by the Board as a result of an Asset/Liability Study completed in May 2023 which was updated in September 2024.

The Board contracts with investment management firms to manage the assets in a variety of investment strategies, with each portfolio mandate within each firm's area of expertise. The current managers and strategies, by asset class, are:

DOMESTIC EQUITY MANAGERS
- Mellon (Passive)
- BlackRock (Passive)

CORE FIXED INCOME MANAGERS
- MacKay Shields (Core)
- T Rowe Price Associates (Core)
- Payden & Rygel (Core)

INTERNATIONAL EQUITY MANAGERS
- Baillie Gifford Overseas Ltd. (Active)
- Lazard Asset Management (Active)
- Wellington Asset Management (Active)
- MFS Institutional Advisors (Active)

NON-CORE FIXED INCOME MANAGERS
- Loomis, Sayles & Company (Strategic Fixed Income)
- Beach Point Capital Management (Strategic Fixed Income)
- Oaktree Capital Management (Strategic Fixed Income)
- Shenkman Capital Management (Strategic Fixed Income)
- Nomura Corporate Research and Asset Management (Strategic Fixed Income)

REAL ASSETS MANAGERS
- Lyme Forest Fund (Timber)
- BTG Pactual (Timber)
- Molpus Woodlands Group (Timber)
- RMS Evergreen (Timber)
- Brookfield Asset Management (Infrastructure)
- JP Morgan Infrastructure (Infrastructure)
- IFM Global Infrastructure (Infrastructure)
- Axium Infrastructure (Infrastructure)
- CenterSquare Investment Management (REITs)

REAL ESTATE MANAGERS
- Morgan Stanley Prime Property Fund (Core Real Estate)
- Jones Lang LaSalle Property Fund (Core Real Estate)
- Jamestown Premier Property Fund (Core Real Estate)
- UBS Trumbull Property Fund (Core Real Estate)
- Heitman American Real Estate Trust (Core Real Estate)
- J.P. Morgan Strategic Property Fund (Core Real Estate)
- Prudential Real Estate Investors Fund (Core Real Estate)
- CBRE US Core Partners LP (Core Real Estate)

CASH EQUIVALENTS MANAGERS
- Payden & Rygel (Cash Equivalents)

CURRENCY OVERLAY MANAGERS
- Insight Investment (Currency Overlay)
- Adrian Lee & Partners (Currency Overlay)

DOMESTIC EQUITY MANAGERS

DOMESTIC EQUITY INVESTMENT MANDATE: The objective of the domestic equity investment component of marketable securities of the Fund is to earn, over time, an average annual total rate of return which is approximately equal to the return of the Russell 3000 Index, combining dividends and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index.

MELLON (Domestic Equity – Passive)

Organization: Mellon manages $4,841.6 million for the domestic equity program. Mellon manages a domestic equity index account for the System which is benchmarked to the Russell 3000 Index.

BLACKROCK (Domestic Equity – Passive)

Organization: BlackRock manages $4,247.6 million for the domestic equity program. BlackRock manages a domestic equity index account for the System which is benchmarked to the Russell 3000 Index.

CORE FIXED INCOME MANAGERS

CORE FIXED INCOME INVESTMENT MANDATE: The objective of the fixed income investment component of the Fund is to diversify the total portfolio and to earn, over time, an average annual total rate of return which exceeds that of the Bloomberg US Aggregate Index, combining interest income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark.

MACKAY SHIELDS (Fixed Income – Core)

Organization: MacKay Shields manages $1,423.3 million for the System. MacKay Shields' investment philosophy combines a top-down analysis to exploit opportunities and neutralize unwanted risks, with a bottom-up analysis to maximize security selection and protect the downside through risk controls.

T ROWE PRICE ASSOCIATES (Fixed Income – Core)

Organization: T Rowe Price Associates, Inc. manages $1,423.0 million for the System. The firm's investment philosophy seeks to capitalize on the inefficiencies that exist between and within sectors of the fixed income market and along the yield curve. Portfolio decisions are both top-down and bottom-up, with the strategy team responsible for the sector and interest rate strategies and the sector specialists responsible for security selection.

PAYDEN & RYGEL (Fixed Income – Core)

Organization: Payden & Rygel manages $1,392.1 million for the System. The firm's investment philosophy seeks to identify investment opportunities across sectors in a relative value, macro-economic top-down approach.

INTERNATIONAL EQUITY MANAGERS

INTERNATIONAL EQUITY INVESTMENT MANDATE: The objective of the international equity investment component of marketable securities of the Fund is to earn, over time, an average annual total rate of return which exceeds that of the MSCI All Country World ex-U.S ex-China Net Index in U.S. dollars, combining dividends and capital

appreciation/depreciation, adjusted for currency overlay program, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index.

BAILLIE GIFFORD OVERSEAS LTD (International Equity - Active)

Organization: Baillie Gifford manages total System assets of $1,969.6 million. Baillie Gifford seeks to add value through bottom-up active management by making long-term investments in well-managed quality businesses that enjoy sustainable competitive advantages in their marketplace. They believe markets tend to undervalue persistent growth and their style is biased towards growth.

LAZARD ASSET MANAGEMENT (International Equity - Active)

Organization: Lazard Asset Management manages System assets of $2,084.9 million. Lazard employs a bottom-up, multi-cap strategy that focuses on the trade-off between valuations and financial productivity. The process focuses on finding securities with a combination of sustainably high or improving returns on capital at attractive valuations.

WELLINGTON ASSET MANAGEMENT (International Equity – Active)

Organization: Wellington Asset Management manages System assets of $2,156.4 million. Wellington employs a bottom-up, fundamental research driven approach to investing. The firm believes the market rewards growth relative to the amount of capital invested. When analyzing a company, Wellington focuses on the company's assets, its management team and the industry structure as these are the drivers of future returns and can provide early insights into the potential for improving or sustaining those returns.

MFS INSTITUTIONAL ADVISORS (International Equity – Active)

Organization: MFS Institutional Advisors manages System assets of $1,240.0 million. The firm believes stock prices often overreact to shorter-term, temporary events, providing opportunities for longer-term investors. MFS looks for quality companies that produce free cash flow at above-average rates while trading at favorable valuations.

NON-CORE FIXED INCOME MANAGERS

NON-CORE FIXED INCOME INVESTMENT MANDATE:
The objective of the non-core fixed income investment component of the Fund is to diversify the total portfolio, to provide current income, and to earn, over time, an average annual total rate of return which is equal to or exceeds the KPERS Non-Core Fixed Income Benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard

deviation) relative to its benchmark. KPERS Non-Core Fixed Income Benchmark is defined as Bloomberg U.S. High Yield 2% Issuer Cap Index.

LOOMIS, SAYLES & COMPANY (Strategic Fixed Income)

Organization: Loomis Sayles manages $699.2 million for the System. The firm's investment philosophy is that of a fundamental "bond picker." Each security is selected using total return criteria with a bias towards stable securities with the potential to be upgraded. Their objective is to add value through diligent, independent and proprietary selection of corporate issues.

BEACH POINT CAPITAL MANAGEMENT (Strategic Fixed Income)

Organization: Beach Point Capital Management manages $652.7 million for the System. Beach Point's investment philosophy consists of a risk-controlled approach using detailed credit analysis and comprehensive due diligence to identify complex, under-followed, and misunderstood investment opportunities. The investment team seeks to add value predominately through issue selection and sector allocation.

OAKTREE CAPITAL MANAGEMENT (Strategic Fixed Income)

Organization: Oaktree Capital Management manages $653.4 million for the System. Oaktree's investment philosophy consists of a highly disciplined, credit-intensive research approach that focuses on downside risk management. The investment team seeks to add value through issue selection and sector allocation while maintaining a well-diversified portfolio.

SHENKMAN CAPITAL MANAGEMENT (Strategic Fixed Income)
Organization: Shenkman Capital Management manages $429.0 million for the System. Shenkman employs a fundamental bottom-up investment philosophy utilizing proprietary credit scoring methodologies to identify mis-rated issues and avoid uncompensated credit risk. The investment team seeks to add value primarily through disciplined issue selection.

NOMURA CORPORATE RESEARCH AND ASSET MANAGEMENT (Strategic Fixed Income)
Organization: Nomura manages $654.1 million for the System. Nomura employs a fundamental, bottom-up investment philosophy with top-down overlay focusing on issuers with sustainable cash flows capable of servicing debt loads throughout economic cycles. The investment team maintains a well-diversified portfolio while striving to add value through issue selection and sector allocation.

REAL ASSETS MANAGERS

REAL ASSETS INVESTMENT MANDATE:
The objective of the real assets component of the Fund is to diversify the total portfolio and provide long-term inflation protection, as well as to earn, over time, an average annual total rate of return which is equal to or exceeds the KPERS Real Assets benchmark, combining interest income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark. The KPERS Real Assets benchmark is defined as the U.S. CPI-U + 4.0%.

MOLPUS WOODLANDS GROUP (Timber)

Organization: Molpus Woodlands Group manages $2.4 million in a liquidating timber mandate for the System with a geographic focus on the Southeastern United States and a real (adjusted for inflation) return target of 3.5%.

RMS EVERGREEN (Timber)

Organization: The RMS Evergreen US Forestland Fund currently manages $214.9 million in assets for the System. RMS is a vertically integrated timberland investment manager that manages approximately 2.3 million acres of high quality pine plantation timberlands located across the primary timber producing regions of the southern United States. This open-end, core, timberland fund plans to continue to invest in intensively managed plantations of commercial softwood species in the U.S. South.

Lyme Forest Fund (Timber)

Organization: The Lyme Forest Fund currently manages $144.1 million in assets for the System. The Lyme Timber Company invests in timberland, rural real estate, and related natural resource assets in the United States and Canada. The Fund's strategy for this open-end vehicle is to target high-quality hardwood forests, conservation opportunities, and value-add operational efficiencies to achieve sustainable cash yields and long-term total returns.

BTG Pactual (Timber)

Organization: BTG Pactual currently manages $216.0 million in assets for the System. BTG is one of the world's largest timberland investment management companies, having managed U.S. timberland investments for over 40 years. The Fund is an established open-end vehicle that manages a diverse portfolio of timberland assets located throughout the major timber producing regions in the U.S.

BROOKFIELD ASSET MANAGEMENT (Infrastructure)

Organization: The Brookfield Americas Infrastructure Fund and Brookfield Super-Core Infrastructure Partners L.P. currently manage $2.7 million and $207.1 million, respectively, in assets for the System. Brookfield operates high quality, long-life assets that generate stable cash flows, require relatively minimal maintenance capital expenditures and, by virtue of barriers to entry and other characteristics, are expected to appreciate in value over time.

JP MORGAN INFRASTRUCTURE (Infrastructure)

Organization: The J.P. Morgan Infrastructure Investments Fund ("IIF") currently manages $255.5 million in assets for the System. IIF invests in core and core plus infrastructure assets in countries with established regulatory environments. The Fund's focus is on core, stable brownfield assets in the regulated utility, contracted asset and transportation sectors. The primary geographic focus for the Fund is the United States, Western Europe, Canada and Australia.

IFM GLOBAL INFRASTRUCTURE (Infrastructure)

Organization: The IFM Global Infrastructure Fund ("GIF") currently manages $249.9 million in assets for the System. GIF is composed of core infrastructure assets with stable and predictable revenues, monopolistic characteristics, strong market positions, a predictable regulatory environment, high barriers to entry and long useful lives. The primary geographic focus for the Fund is the United Kingdom and the United States, secondarily in Western and Eastern Europe.

AXIUM INFRASTRUCTURE US LP (Infrastructure)

Organization: Axium Infrastructure U.S. LP currently manages $143.9 million in assets for the System. The Fund invests in core and core plus infrastructure assets in the United States, which has an established regulatory environment and strong rule of law. The Fund targets both operating assets (≥ 60%) and late-stage greenfield (≤ 40%) investment opportunities primarily in the contracted asset and regulated utility sectors.

CENTERSQUARE INVESTMENT MANAGEMENT (REITs)

Organization: CenterSquare currently manages $410.2 million in domestic REIT assets for the System. The manager employs an active stock selection process that combines top-down elements with bottom-up research.

REAL ESTATE MANAGERS

REAL ESTATE INVESTMENT MANDATE: The objective of the real estate investment component of the Fund is to diversify the total portfolio and provide long-term inflation protection as well as earn, over time, an average annual total rate of return which exceeds the KPERS Real Estate Benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its benchmark.

MORGAN STANLEY PRIME PROPERTY FUND (Core Real Estate)

Organization: Prime Property is managed by Morgan Stanley. The fund currently manages $497.3 million in assets for the System. Prime Property is a core open-end commingled equity real estate fund, diversified by property type and geographic location.

JONES LANG LASALLE PROPERTY FUND (Core Real Estate)

Organization: LaSalle currently manages $494.1 million in assets for the System. The strategy employed by LaSalle targets Class A, well leased income-producing properties primarily located in coastal markets.

JAMESTOWN PREMIER PROPERTY FUND (Core Real Estate)

Organization: Jamestown currently manages $43.0 million in core real estate assets for the System, investing in high-quality, income producing and opportunistic commercial real estate in the United States. The strategy is sector focused with a primary focus on retail and office assets.

UBS TRUMBULL PROPERTY FUND (Core Real Estate)

Organization: UBS Trumbull Property Fund currently manages $101.5 million in assets for the System. UBS Trumbull Property Fund employs a disciplined and methodical process to investing in core real estate in which internal asset managers are organized by and focus on both property type(s) and region.

HEITMAN AMERICA REAL ESTATE TRUST (Core Real Estate)

Organization: Heitman HART currently manages $175.6 million in assets for the System. HART employs a strategy focused on high-quality, income producing assets primarily in the multi-family and retail sectors.

JP MORGAN STRATEGIC PROPERTY FUND (Core Real Estate)

Organization: The JP Morgan Strategic Property Fund currently manages $268.0 million in assets for the System, and focuses on attractive, stabilized investments, with high quality physical improvements located in the major U.S. metropolitan markets. The strategy is sector focused with a primary focus on office and retail assets.

PRUDENTIAL REAL ESTATE INVESTORS FUND (Core Real Estate)

Organization: The PRISA Fund currently manages $357.3 million in assets for the System, and focuses on a property type mix which is weighted toward office, and geographic diversity, including several west coast holdings. The Fund's mandate is to invest primarily in existing, income producing properties in the U.S. with strong cash flow that is expected to increase over time and thereby provide the potential for capital appreciation.

CBRE US CORE PARTNERS LP (Core Real Estate)

Organization: CBRE U.S. Core Partners currently manages $302.5 million in assets for the System and focuses on a property type mix which is weighted toward the industrial and apartment sectors, and geographic diversity, including an overweight to the Pacific region and Atlanta. The Fund's mandate is to invest primarily in markets with strong rent forecasts and assets that are expected to have above-average return potential in the U.S. by acquiring well-occupied, high-quality real estate assets with stable cash flows at discounts to fundamental values.

NON-CORE REAL ESTATE FUNDS

The Non-Core segment is implemented using several investment funds utilizing a variety of strategies and property types, both domestically and internationally. While providing inflation protection, Non-Core real estate investments are also expected to produce meaningful capital appreciation. These strategies typically involve a higher element of development risk and carry higher levels of leverage (debt) than Core investments. The return target for Non-Core Real Estate investments over a full market cycle is the NCREIF ODCE Index plus 3%. The System currently has $766.3 million invested in NON-CORE Real Estate Funds.

ALTERNATIVE INVESTMENT MANAGERS

ALTERNATIVE INVESTMENT MANDATE: The objective of the alternative investment component of the Fund is to earn, over time, an average total return which exceeds the Russell 3000 Index plus 2%, while maintaining a risk level (as measured by standard deviation) commensurate with the expected return differential.

A list of the System's private equity limited partnership investments can be found in the System's Annual Consolidated Financial Report (ACFR).

CASH EQUIVALENTS MANAGER

Investment Mandate: The objective of the short-term cash equivalent reserve component of the Fund is to provide liquidity for the timely payment of benefits and/or fees and expenses while earning a competitive return. The objective of the cash equivalent reserve component of the Fund is to earn, over time, an average annual total rate of return which exceeds that of the KPERS Cash Equivalents benchmark, combining income and capital appreciation/depreciation, while at the same time maintaining a reasonable risk level (as measured by standard deviation) relative to its index.

PAYDEN & RYGEL (Cash Equivalents)

Organization: Payden & Rygel manages a Short Term Investment Fund (STIF) program for the System. The STIF portfolio maintains a maximum maturity of fifteen months.

CURRENCY OVERLAY MANAGER

INSIGHT INVESTMENT (Currency Overlay)

Investment Mandate: Insight Investment manages a currency overlay program for one half of the developed markets exposure in the System's international equity portfolio. The objective is to protect the dollar value of the international equity portfolio against a decline in the value of non-U.S. dollar currencies (U.S. dollar strength), while at the same time allowing partial participation in the appreciation of these currencies against the U.S. dollar (U.S. dollar weakness). Over a typical market cycle the manager is expected to reduce the currency risk and enhance the returns of the indexed international equity portfolio to which the currency overlay strategy will be applied.

ADRIAN LEE & PARTNERS (Currency Overlay)

Investment Mandate: Adrian Lee manages a currency overlay program for one half of the developed markets exposure in the System's international equity portfolio. The objective is to protect the dollar value of the international equity portfolio against a decline in the value of non-U.S. dollar currencies (U.S. dollar strength), while at the same time allowing partial participation in the appreciation of these currencies against the U.S. dollar (U.S. dollar weakness). Over a typical market cycle the manager is expected to reduce the currency risk and enhance the returns of the indexed international equity portfolio to which the currency overlay strategy will be applied.

INVESTMENT CUSTODIAN

K.S.A. 74-4921 authorizes the Board to contract with a member bank or trust company of the Federal Reserve to serve as custodian of securities and handle the collection of income, principal, proceeds from sales, and payment for securities purchased, as well as safekeeping of securities. State Street Bank & Trust Company is the global master custodian for the System's assets.

ANNUAL BOARD REVIEW

K.S.A. 74-4921 also requires the Board to provide for an examination of the investment program annually. The Board has contracted with Meketa Investment Group (formerly Pension Consulting Alliance) as the System's general investment consultant. The consultant assists the Board and staff in several complex areas such as: determining the appropriate asset allocation, preparation of investment guidelines, policy, practices, and procedures; investment manager searches; and the ongoing oversight of the investment managers' activities.

INVESTMENT PERFORMANCE

The time-weighted rate of return for FY 2026 is 14.2% for the System's total assets. The average annualized total return is 11.4% for the three years ending 6/30/26, and 7.2% for the five years ending 6/30/26. Over the past twenty years, the Retirement System's investment portfolio has earned an 7.6% average annualized total return.

Investment Performance Report

For the Period Ending June 30, 2026

Time-Weighted Return (1)	Last Year	Latest 3 Years	Latest 5 Years
Total Portfolio	**14.2%**	**11.4%**	**7.2%**
Policy Index	17.1%	13.3%	7.6%
Consumer Price Index	3.5%	3.0%	4.2%
Domestic Equity Portfolio	**22.8%**	**20.3%**	**12.3%**
Russell 3000 Index	22.8%	20.4%	12.3%
International Equity Portfolio	**19.9%**	**15.4%**	**6.3%**
KPERS Int'l Equity Benchmark	30.7%	19.8%	9.3%
Core Fixed Income Portfolio	**4.1%**	**4.6%**	**0.3%**
KPERS Core Fixed Income Benchmark	3.8%	4.2%	0.1%
Non-Core Fixed Income Portfolio	**6.2%**	**8.9%**	**4.1%**
KPERS Non-Core Fixed Income Benchmark	5.9%	8.9%	4.2%
Real Assets Portfolio	**11.6%**	**8.8%**	**5.0%**
KPERS Real Assets Benchmark	8.2%	5.1%	1.7%
Real Estate Portfolio	**4.7%**	**-0.4%**	**3.4%**
KPERS Real Estate Benchmark	5.2%	0.1%	3.5%
Alternative Investment Portfolio	**4.4%**	**5.2%**	**9.2%**
KPERS Alternative Investment Benchmark	24.8%	22.4%	14.3%
Cash Equivalents Portfolio	**4.1%**	**4.7%**	**3.3%**
KPERS Cash Equivalents Benchmark	3.9%	4.7%	2.7%

1) Time weighted total gross return includes income and changes in market value.

State of Kansas Deferred Compensation Program

The Kansas Deferred Compensation Plan is a voluntary, tax-deferred retirement savings program for state employees. In addition, many local public employers offer the plan to their employees.

Following a 2006 study of the Plan, the Secretary of Administration and the KPERS Board of Trustees recommended transferring Plan administration to KPERS. During the 2007 legislative session, the Kansas Legislature passed and the Governor signed HB 2385 to implement this recommendation. KPERS' administration of the Plan provides State and local employees with coordinated retirement education and planning information and facilitates an increased emphasis on personal savings for retirement.

Plan Overview

Established in 1980 according to Section 457 of the Internal Revenue Code and K.S.A. 75-5521 et seq., the Plan has 29,223 state and local participants with total assets of approximately $1.88 billion.

- The Plan selects and offers a range of investment options to participating members.
- Empower is the Plan's service provider, providing recordkeeping.
- Creative Planning (formerly SageView Advisory Group) acts as the Plan's investment consultant.

Deferred Compensation Plan Highlights*

Assets	**$**	**1,884,889,936**
State	$	1,173,763,127
Local	$	711,126,809
Participants		**29,223**
State		14,957
Local		14,266
Actively Deferring Participants		**15,513**
State		8,495
Local		7,018
Employers		**486**
State		1
Local		485

*As of 6/30/26

The 2016 Legislature also provided KPERS with authority to establish a flexible 401(a) supplemental defined contribution plan for local employers that have adopted the KPERS 457 plan and wish to make employer contributions to their employees' personal savings. As of 6/30/26 there are forty-three employers participating in the 401(a) plan with 1,027 participants and assets of $20,749,175.

Plan Administration

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, as needed. The Committee's 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 was selected through an RFP process in 2023 to continue to be the plan's record keeper. The Empower contract is for five calendar years, with two possible one-year extensions. Empower is responsible for account recordkeeping and direct services such as enrollments, phone inquiries and investment transactions.

During FY 2026, 3,037 new participants enrolled in the plan. Sixteen local employers adopted the KPERS 457 plan during FY 2026, and three local employers adopted the 401(a) plan. During FY 2026, Baker Tilly (formerly Moss Adams), our external financial auditor, completed the financial statement audit of the KPERS 457 plan with no material findings.

Plan Administration Expenditures

All direct and indirect expenses of the Plan are paid using a cost allocation method with separate accounting of the Retirement System's and the Plan's assets and expenses. All expenses are paid out of the Deferred Compensation Fund's assets, which are all participant contributions. The budgeted expenditures total $727,052 in FY 2027 and $781,567 in FY 2028.