



September 30, 2025  
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 2026 and Fiscal Year 2027 budget document for the System. The budget request was approved by the Board of Trustees of KPERS at their meeting on September 19, 2025. This budget was prepared in accordance with the budget indices dated June 25, 2025. 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.

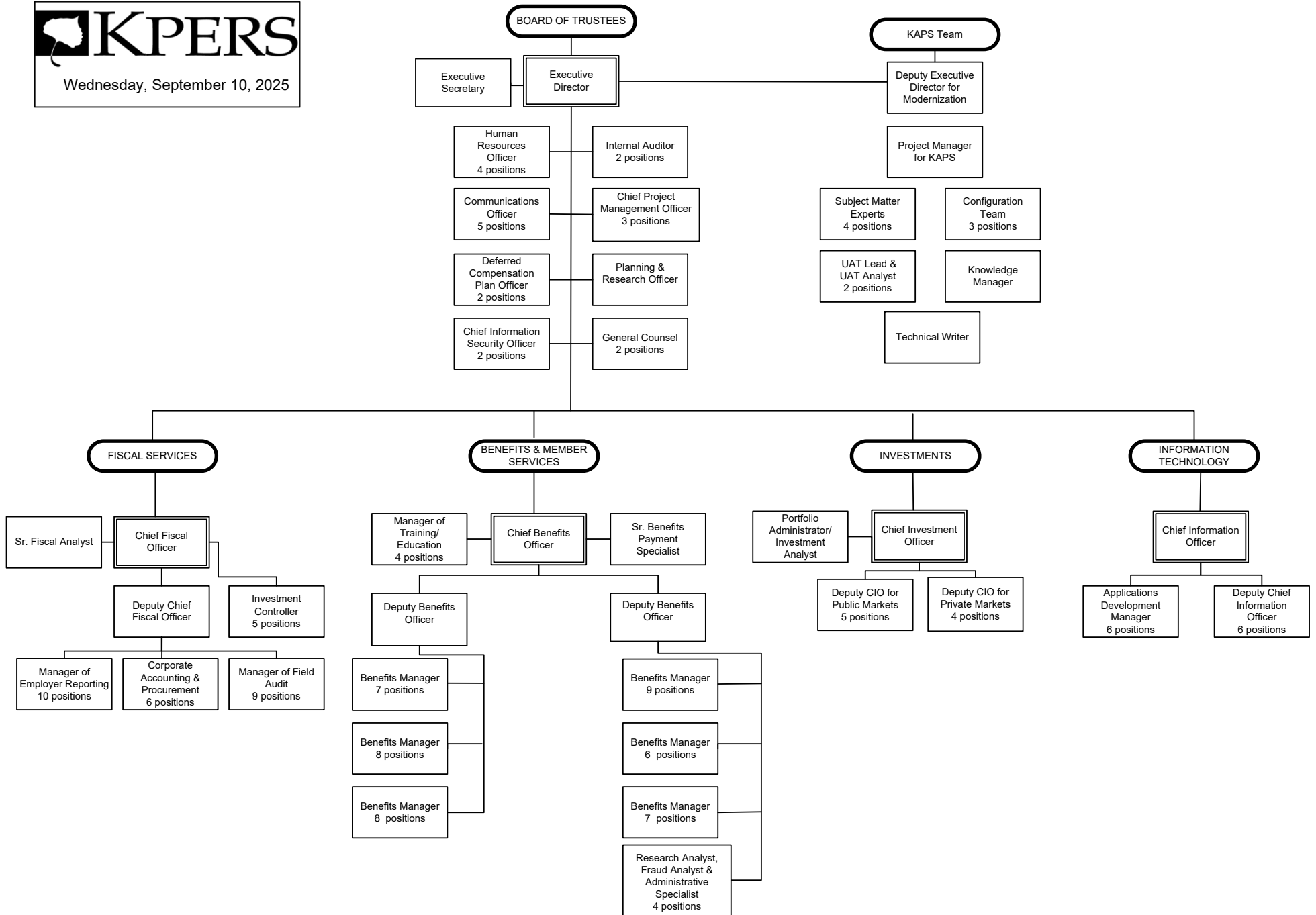
As always, Kris Holm, Chief Fiscal Officer for KPERS or I are prepared to provide you or Jeff Arpin, Principal Analyst with any additional information that might be helpful. Thank you for your consideration.

Sincerely,

Alan D. Conroy  
Executive Director

Enclosure

CC: Mr. Jeff Arpin, Principal Analyst, Kansas Division of the Budget  
Mr. Steven Wu, Managing Fiscal Analyst, Kansas Legislative Research Department



## 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 2026 and FY 2027 the statutory State/School employer contribution rate is scheduled to be 11.68% and 11.32% respectively. Local employers are scheduled to contribute 9.59% in CY 2026 and 9.44% in CY 2027. KP&F employers are scheduled to contribute 24.67% in FY 2026 and 24.02% in FY 2027, for Local KP&F employer the rates are 24.00% in CY 2026 and 24.51% in CY 2027. The Judges' employer contribution rates for FY 2026 and FY 2027 are 23.16% and 21.29%. 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 2022, there were 1,543 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, 2024 actuarial valuation, 232,743 active and inactive members are included in the various coverage groups administered by KPERS. Additionally, the System has 117,870 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 2025 was \$2.683 billion. Pension contributions for the year totaled \$1.676 billion. Sources of pensions contributions included \$553 million in employee contributions and \$1.123 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 2025 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 through Fiscal Year 2025.

	Highlight of Operations -Fiscal Year				
	2025	2024	2023	2022	2021
<b>Membership Composition</b>					
Number of Retirants	108,249	106,984	104,645	102,014	99,617
Number of Survivors <sup>1</sup>	9,621	9,023	9,083	8,572	8,233
New Retirants During the Fiscal Year	5,807	7,982	5,754	6,124	5,583
Active and Inactive Members <sup>2</sup>	235,743	230,334	227,606	222,512	218,752
Participating Employers	1,571	1,552	1,552	1,541	1,536
<b>Financial Results (in millions)</b>					
Member Contributions	\$553	\$535	\$508	\$482	\$459
Employer Contributions <sup>3</sup>	1,123	1,096	1,334	2,126	1,008
Retirement/Death Benefits	2,438	2,182	2,084	2,008	1,930
Investment Income	2,683	2,341	1,698	(1,296)	5,185
<b>Employer Contribution Rate</b>					
KPERS—State/School <sup>4</sup>	11.54%	12.57%	13.11%	13.33%	14.23%
KPERS—Local <sup>5</sup>	9.26	8.43	8.90	8.87	8.61
KP&F (Uniform Participating) <sup>5</sup>	23.10	22.86	22.86	22.99	22.80
Judges	21.45	16.48	17.77	18.40	17.26
<b>Unfunded Actuarial Liability (in millions)</b>					
KPERS—State/School	\$6,343	\$6,201	\$6,261	\$6,892	\$6,143
KPERS—Local	2,173	2,090	1,952	1,784	1,420
KP&F	1,521	1,382	1,337	1,141	919
Judges	11	13	16	10	6
<b>Funding Ratios<sup>6</sup></b>					
KPERS--Total System	74.0%	74.0%	73.4%	71.6%	72.5%
KPERS--State/School	75.3	75.2	74.2	70.7	70.8
KPERS--Local	71.8	71.7	72.2	73.3	76.1
KP&F	69.5	70.5	70.2	72.8	75.3
Judges	95.4	94.2	92.8	95.3	96.8

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.



## Funding Outlook and Projections

### Current Funding Status

The Retirement System's 12/31/2024 actuarial valuation shows a \$363 million (3.7%) increase in the unfunded actuarial liability (UAL). The State/School group funded ratio improved to 75.3% and total System funded ratio remained unchanged at 74.0% on 12/31/2024. Deferred investment losses due to the CY 2022 investment losses is expected to be a drag on plan funding as the impact is smoothed in over the next 2 valuations.

Plan	Unfunded Actuarial Liability (millions)*	Funded Ratio
<b>Kansas Public Employees Retirement System (KPERS)</b>	<b>\$ 8,516</b>	<b>74.5 %</b>
State Group	1,368	75.3
School Group	4,974	75.3
Local Group	2,173	71.8
<b>Kansas Police and Firemen's Retirement System (KP&amp;F)</b>	<b>\$ 1,522</b>	<b>69.5 %</b>
<b>Kansas Retirement System for Judges (Judges)</b>	<b>\$ 11</b>	<b>95.4 %</b>
<b>Retirement System Totals</b>	<b>\$ 10,049</b>	<b>74.0 %</b>

\*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 is 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.

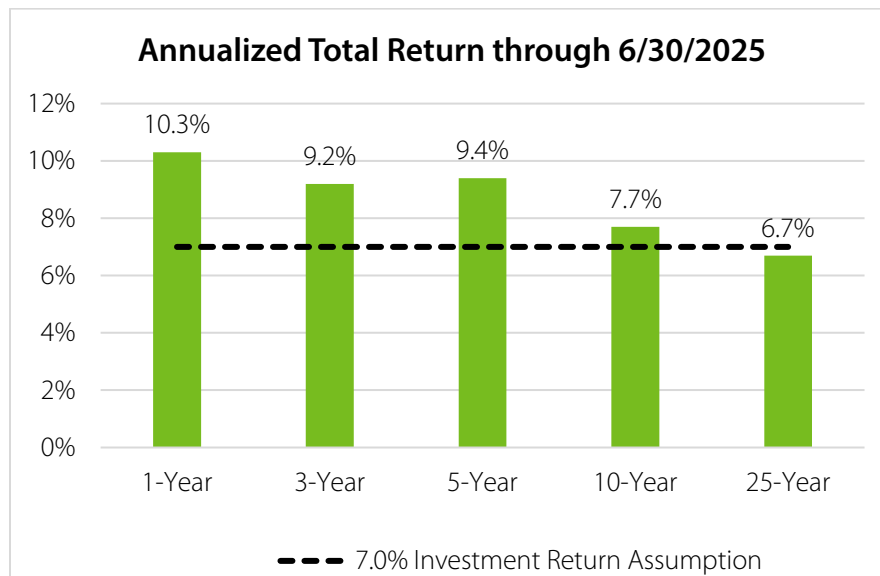
The Local Group has been at the actuarial required contribution rate since CY 2015 and remains at the full required rate in CY 2026 and CY 2027 at 9.59% and 9.44%.

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 2026 and FY 2027 statutory State/School employer contribution rates are equal to the actuarial required contribution rate of 11.68% and 11.32%. The 12/31/2024 valuation sets the actuarial required contribution rate for FY 2028 and the State/School Group is projected to remain

at the actuarial required rate at 11.38%. After FY 2028 the contribution rate is projected to stabilize around 12% through the end of the amortization period of the legacy unfunded actuarial liability. (2039).

### [Recent Legislative Action](#)

---

In response to KPERS' long-term funding shortfall, the Legislature has made changes to future benefits and contributions, affecting both members and employers. Changes were necessary to make KPERS more sustainable and to pay promised benefits long-term.

### **2012 Legislation**

The Legislature approved and the Governor signed 2012 Senate Sub for House Bill 2333 into law. The legislation created KPERS 3, which is a Cash Balance Plan, for new members effective January 1, 2015 and included benefit changes for KPERS 1 and KPERS 2 members. The bill also provides for increases in the employer contribution rate. The first increase is to 0.9 percent in FY 2014, 1.0 percent in FY 2015, 1.1 percent in FY 2016 and ultimately to 1.2% in FY 2017 and all future years or until ARC is reached. 2015 SB 228 did not make any changes to the statutory cap on employer contribution rate increases, but it did set the employer contribution rate for FY 2016 and FY 2017 at rates that are lower than they would have been had the statutory caps been followed.

In addition, the law created a 90-day election period to permit KPERS 1 members to choose between a 5.0 percent contribution rate in CY 2014 and a 6.0 percent contribution rate beginning in CY 2015 with a 1.85 percent multiplier for all years of future service or a 4.0 percent contribution and a 1.40 percent multiplier for all years of future service. However, the IRS did not respond prior to the deadline for the election and the default option (5.0 percent contribution rate in CY 2014, 6.0 percent contribution rate in CY 2015 and future years, and a 1.85 percent multiplier) was implemented for all KPERS 1 members starting January 1, 2014.

Effective July 1, 2012, the cost-of-living adjustment was eliminated for KPERS 2 members. However, those members retire on or after July 1, 2012 will receive a higher multiplier of 1.85 percent for all years of service, not just future service.

2012 HB 2333 also provided for the state to make additional contributions to fund the unfunded actuarial liability of the State/School group until the funded ratio reaches at least 80.0 percent. The additional contribution stream, which comes from the Expanded Lottery Act Revenue Fund (ELARF), is determined as 50.0 percent of the money credited to the ELARF, after an annual reduction of \$10.5 million. The 2013, 2014 and 2015 Legislatures used these ELARF funds to pay a portion of the School Group employer base contributions rather than making additional contributions in FY 2014 and FY 2015 and that practice has continued since then.

2012 HB 2333 also provided that 80.0 percent of the proceeds from surplus real estate property sales will be used to pay down KPERS' unfunded actuarial liability.

## **2013 Legislation**

2013 HB 2213 adjusted the benefit structure of the Kansas Police and Firemen's Retirement System (KP&F) by raising the cap on annual benefits from 80.0 percent of final average salary to 90.0 percent of final average salary. KP&F members will now contribute 7.15 percent of annual compensation for all years of service. Previously members contributed 7.0 percent for up to 32 years of service and then 2.0 percent for years of service beyond 32 years. The increase in the member contribution rate was estimated to make the benefit increase cost neutral to employers.

## **2014 Legislation**

2014 HB 2533 adjusted the cash balance plan design established in K.S.A 74-49,301 et. seq. (2012 HB 2333). Specifically, the bill as amended:

- Changed the guaranteed interest crediting rate from 5.25% to 4.0%;
- Struck the provisions pertaining to a discretionary dividend;
- Added language establishing a formulaic dividend equal to 75% of the five-year average net compound rate of return on the market value of the system's assets above 6% on a rolling 5-year average, except that between calendar year 2015 and calendar year 2018, the average return begins in 2015 and includes all years up to the current year, and the dividend is capped at 1.5%. The rolling 5-year average begins 2019, at which point, there is no cap; and
- Changed the annuity rate from a set 6% to the actuarially assumed investment rate of return minus 2%. Currently that amount equals 6%.

2014 HB 2596 reinstated K.S.A. 74-49,115 for all future years. K.S.A. 74-49,115 provides for retirement, disability, and life insurance benefits to be held harmless for state officers and employees who are placed on a furlough without pay or whose compensation is reduced either pursuant to law or through a voluntary agreement and who subsequently retire, become disabled or die. In such cases, the amount of compensation that would have been paid if the employee was not placed on furlough or the employee's pay was not reduced ("additional compensation") would be included in computations of retirement, death or disability benefits provided by KPERS, KP&F, or the Judges Retirement System.

2014 HB 2602 eliminated the cap on the number of unclassified positions at KPERS. This will allow for the recruitment and retention of the most qualified staff to serve our members as well as providing greater budget flexibility in staffing decisions.

## 2015 Legislation

2015 SB 228 authorized the sale of bonds to help fund a portion of the State/School Group unfunded actuarial liability (UAL) and set the employer contribution rate for the State/School Group at 10.91% in FY 2016 and 10.81% in FY 2017. The bonds were sold in August 2015 and the proceeds were received and invested according to the target asset allocation.

2015 HB 2095 made changes to the existing working after retirement (WAR) rules. The working after retirement provisions changed the existing policy governing retirees returning to work starting July 1, 2016. Most new retirees were subject to an annual \$25,000 earnings limitation if they returned to work for any KPERS affiliated employer. If they reached or exceeded the \$25,000 earnings limitation they either choose to keep working and suspend their benefit or stop working and continue receiving their benefit. Employers contributed the statutory employer rate for all wages paid to the retiree.

There were exceptions to the general rule for special education teachers and hard-to-fill school positions. Those retirees could return to work with no earnings limitation for a period of up to 3 years. If they continued to work beyond the 3-year window they fell under the earnings limitation. School districts contributed the actuarial required contribution (ARC) rate plus 8% and maintained documentation of their efforts to fill the position being filled by a retiree.

In addition, all employers could fill a position with a retiree with no earnings limitation in instances of a hardship. Hardships were decided by the governing entity of each employer and allowed for a 1-year exemption to the earnings limitation. Employers contributed the ARC plus 8% and maintained documentation of efforts to fill the position with a non-retiree.

State hospital nurses, Kansas Law Enforcement Training Center instructors, and elected city and county officials were completely exempt for the earnings limitation. Employers contributed the ARC rate plus the employee contribution rate (6%).

Licensed school professionals who retired before May 1, 2015 stayed under their old working after retirement rules until July 1, 2017, at which point they were also covered by the new rules. All other retirees who returned to work or had an agreement to return to work prior to May 1, 2015, remained under their current working after retirement rules so long as they continued working in the same position.

2015 HB 2095 also created a new deferred retirement option program (DROP) for KP&F members at the Kansas Highway Patrol. The pilot DROP plan design includes:

- Members may enter the DROP at normal retirement age,
- Members must select a period of 3-5 years to continue working, during which time their benefit is deposited into a DROP account. The account may be credited with interest discretion when certain investment thresholds are met.
- At ultimate retirement, the member receives the balance of the DROP account as a lump sum or a rollover to another qualified account.

The DROP was scheduled to sunset on January 1, 2020, but the program was extended an additional five years by the 2019 Legislature.

## **2016 Legislation**

The 2016 Appropriations bills (H Sub for SB 161 and H Sub for SB 249) included provisions that allowed the budget director to delay KPERS employer contributions from State and School employers for the last quarter of FY 2016. The delayed contributions are to be repaid by the end of FY 2018 with 8% interest. This allotment authority was used to delay a total of \$97.4 million in employer contributions from the last quarter of FY 2016.

## **2017 Legislation**

After reviewing and making changes to working after retirement rules during the 2016 Legislative session, the Legislature made additional changes in 2017. The three primary changes to the existing working after retirement rules that became effective January 1, 2018:

1. Retirees have a 180-day waiting period if they retire before age 62 and a 60-day waiting period if they retire at age 62 or later.
2. No retiree who returns to work has an earnings limitation.
3. Employers contribute the statutory rate on the first \$25,000 in earnings and 30% on all earnings above \$25,000 for retirees in covered positions, but no contributions on non-covered positions.

In order to reduce complexity, the new rules for retiree earnings limits and employer contributions apply to almost all retirees starting January 1, 2018. Retirees who are currently grandfathered will be subject to the new working after retirement rules. Many retirees were advantaged by having an earnings limit removed. However, the impact of the new employer contribution structure varies. Employers make contributions on the pay of some retirees that were not required to in the past (e.g., State and Local grandfathered retirees working for the same employer). For other retirees, the effective rate under the new structure may be more or less than the current rate, depending in part on the retiree's compensation.

The working after retirement rules maintain the requirement that there is no pre-arrangement between the retiree and employer to return to work at any point prior to retirement or during the waiting period. In addition to the new basic rule that took effect January 2018, there were several other working after retirement rules that were adjusted, including:

- Changes to the 2016 exemptions;
- New tests to establish who qualifies as a third party or independent contractor;
- Clarification of the substitute teacher exemption;
- Exemptions for elected officials (local and statewide); and
- Exemptions for retirees working in Board of Regents Retirement Plan positions.

## **2018 Legislation**

The 2018 Legislature repealed the statutes that prohibited investments in certain companies with business operations in Sudan. The statutes were no longer necessary due to action at the federal level.

## **2019 Legislation**

The 2019 Legislature made several smaller adjustments to benefit provisions, including:

1. Adding bloodborne pathogens and specific cancers to the definition of “service-connected” for Kansas Police and Fire (KP&F) death and disability benefits.
2. Extending the Deferred Retirement Option Program (DROP) pilot for an additional 5 years (through December 2025) and adding the Kansas Bureau of Investigation to the Kansas Highway Patrol as employers included in the pilot DROP.
3. Delaying the implementation of a penalty on retirees who return to work for a KPERS employer before the end of their waiting period, restore any penalties that were initiated, and allowing the Executive Director to waive the retiree penalty in certain situations.
4. Allowing Community Developmental Disability Organizations (CDDOs) to designate a two-year waiting period for direct support positions.

## **2020 Legislation**

The 2020 Legislature did not enact any changes to KPERS statutes.

## **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.

### [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 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 Legislature 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 2025 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 2025 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 inception for 5,226 new retirees with nearly 100% of initial retirement benefit payments made on time. Processed and distributed \$153.9 million in partial lump-sum option benefit payments for 1,470 new retirees.
- FY 2025 satisfaction survey responses from new retirees showed that 90% rated our service during the process as “excellent,” “very good” or “good.” About 92% of new retirees completed this survey.
- Participated in the reconciliation and distribution of more than 139,000 1099-R tax forms for retirees, beneficiaries and former members who received distributions from KPERS during CY 2024. Distributed nearly 56,300 federal tax withholding change notices, and assisted members with questions and related requests.

#### Active Member Benefits and Service

- Assisted employers with enrolling 22,400 new members, transferring 8,100 members from one participating employer to another, and returning 5,400 members to KPERS-covered employment.
- Processed 22,600 new or modified beneficiary designations for active members’ life insurance and retirement benefits and retired members’ death benefits and retirement accounts.
- Successfully processed nearly 10,300 payments for withdrawing members, with total payout of contributions and interest equal to \$73.5 million. On average, the Withdrawal Team processed approximately 900 payments each month.



- Issued more than 224,000 Member Annual Statements for CY 2024 to active, inactive and disabled members. All statements were distributed to members by April 30, 2025.
- Completed approximately 1,050 detailed retirement benefit estimates for members approaching retirement. Staff completed all requests within 30 days.
- Assisted about 520 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 1,600 disabled public employees, totaling \$13.8 million for FY 2025. Assisted 22 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 \$3.7 million in basic life insurance benefits to beneficiaries of approximately 62 disabled members who died during the year.
- Coordinated with Standard Life Insurance Company to pay approximately \$19.7 million in basic life insurance benefits and \$7.4 million in optional life insurance benefits for 292 claims. This included about \$1.2 million for more than 50 dependent claims (spouse or child).
- Processed 82 applications for KP&F members entering the Deferred Retirement Option Program (DROP). FY 2025 was the first full year that the program was open to all KP&F members.
- Provided prompt, personal assistance to over 3,400 members who visited the KPERS office for one-on-one counseling and another 175 members who received individual, offsite visits. In-person counseling sessions and virtual counseling sessions were slightly above those sessions than in FY 2024.

## **Customer Service**

- Nearly met the performance goal for responding to incoming telephone calls from our members and employers by answering 91% of 121,429 incoming calls during FY 2025. Total calls increased by 21% over those received in FY 2024. United States Postal Service delays during 1099-R distribution was a major contributor to the increased calls. KPERS' InfoLine staff received an average of 455 calls per day and dropped an average of 100 calls per day. The average wait time before callers reached a customer service representative was approximately 90 seconds. On average, 98.3% of InfoLine satisfaction survey respondents rated our services as "excellent," "very good," or "good."
- Responded to over 28,000 email requests from members, employers, beneficiaries and other interested parties. Assisted over 22,000 members with accessing their Member Web Portal accounts and related requests during the fiscal year.
- Benefits and Member Services' performance results and operating costs contributed significantly to KPERS' positive results in the 2024 Benefit

Administration Benchmarking Report by CEM Benchmarking Inc. KPERS' total service score was 79, lower than the peer median of 83. 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.

- The total cost per active and retired member was \$88, well below the peer average of \$101 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 as a key reason 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 2025 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 1,905 members attending. This was about a 17% decrease in attendees from FY 2024. About 94% of post-survey respondents rated the webinars at 4 or 5 (out of 5) stars for helpfulness and 99% said they would recommend the webinar.
- Promoted and hosted 54 in-person pre-retirement seminars with approximately 2,100 members attending.
- Conducted the annual communications survey, which received about 2,000 responses. Overall, comments were positive. Members indicated that benefits information is easy to understand, visually appealing and meets their needs. Survey results are informing messaging for next fiscal year and longer-term planning.
- Created and distributed two issues of *Vested Interest*, KPERS' printed retiree newsletter. It reaches both retired members and those receiving 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, relevant plan updates, and education on financial wellness and retirement readiness.

- Conducted interviews with nine members (KPERS-School and KP&F) in FY 2025. The responses helped confirm the messaging related to members wants and needs.
- KSPERS.gov had 326,610 visitors and a total of 702,790 sessions in FY 2025. Both totals were slightly above FY 2024 levels.
- Provided communications support for optional life insurance open enrollment, including marketing materials, online enrollment testing and employer resources. Fall 2024 open enrollment featured up to \$250,000 in guaranteed coverage for members (with no health questions). More than 3,900 members applied for new or increased coverage, up about 3.5% from the previous year.
- Provided support for a *Funding Basics* webinar for members in September 2024 with 393 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.
- Launched a new opt-in email series for members 12 months or less to retirement. Staff designed the emails to help members understand the retirement process and know what to consider beyond their pensions. Nearly 2,000 members signed up for the series by the end of this fiscal year. Based on the experience with this campaign, we plan to create a version for members who are 2-5 years from retirement.
- Conducted the 2025 Board of Trustees Election for both School and Non-School groups. Staff promoted the election on kspers.gov and with various promotional emails and employer messages. Overall votes decreased slightly over the previous election in 2021. Staff will be researching options for more dynamic voting services and ways to increase election awareness for the 2029 election.

## **Employer Communications**

In addition to KPERS staff, employers are our number one resource for helping members get the most from their benefits. FY 2025 employer initiatives included:

- Conducted 27 in-person employer educational workshops, and four webinars and training sessions attended by more than 900 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. There were also four additional employer webinars focused on death benefits, KP&F DROP, disability and KPERS 3.

## **INVESTMENTS**

The most significant accomplishment for the Investment Division in FY 2025 was implementing the Asset Allocation Review Project. This project launched in response to



the increase in the statutory limit on alternative investments from 15% to 25% of the portfolio. Staff presented an implementation plan to the Investment Committee in November 2024 and fully instituted the plan on January 1, 2025, as scheduled.

### **Investment Performance**

The Retirement System's investment portfolio produced a total return of 10.3% for FY 2025. For the three years ending June 30, 2025, the System's investment portfolio produced a 9.2% total return. The investment portfolio delivered an annualized return of 9.4% over the five years ending June 30, 2025. The 25-year average annualized total return was 6.7%, ahead of the Policy Index return of 6.6% for that period. The 20-year average annualized total return was 7.5%, which is 0.2% above the Policy Index return and also exceeds the 7.0% investment assumption.

In the TUCS Master Trust – All Plans Universe, the Retirement System's returns rank near median (51st percentile) for three years and above the median for time periods of, four, five, seven and ten years, as of March 31, 2025. The three-year risk/return comparison shows the System with a higher return with less risk than the median pension fund, which is a good outcome.

### **Investment Staff Activity**

Highlights of the Investment Division's accomplishments during FY 2025 include:

- Managed the System's investment portfolio in a challenging environment, with rising interest rates, high inflation, erratic economic growth, increasing tariffs and high levels of global geopolitical and financial market volatility.
- Maintained asset class allocations in target ranges throughout FY 2025, with a minimal number of portfolio rebalancing transactions.
- Facilitated Board educational sessions on a variety of topics, including: *The Impact of the New 25% Alternatives Cap* by Investment staff, *Global Macroeconomic Update* by Morgan Stanley, *Private Equity Valuations and Returns* by Mercer and Investment staff, *Review of the 7% Return Assumption* by Investment staff and *Cash Flow Forecasting and the Needs of the Trust Fund* by Investment staff.
- Along with Meketa, presented an implementation plan for the 2024 Asset Liability Study. In FY 2025, KPERS adopted new initial, interim and long-term allocation targets. This included adjusting the public equity target allocation from 50% U.S./50% non-US to 55% U.S./45% non-U.S. It also involved adjusting the asset allocation targets on January 1, 2025, to move to the new interim targets. Rebalancing ranges were adjusted for certain asset classes to accommodate the implementation. The Non-Core Fixed Income and the Real Assets asset classes were created (replacing Yield Driven and Real Return, respectively) and defined in the System's policy statement. KPERS made Policy Index changes to reflect the new asset classes and adjusted the target weights on January 1, 2025. Staff also updated

the pacing plans for Private Equity, Real Estate and Real Assets to accommodate the interim targets.

- Continued systematic, prudent oversight of the Retirement System's 32 external publicly traded investment managers, managing 33 different investment portfolios, as well as the System's eight core and 31 non-core real estate fund investments, seven real asset funds and 89 private equity fund investments.
- Worked with investment consultants to develop and present the 2025 pacing plans for private equity, real assets and real estate. Staff worked with the consultants to provide semi-annual performance reports to the Board for private equity, real assets and real estate in November 2024 and May 2025.
- The System has been working with Molpus and The Townsend Group to sell the remaining timberland property, Carmona Tristar-LA, in the separately managed account.
- Continued disciplined risk monitoring and reporting using the System's risk management system during FY 2025. All assets (publicly traded and private) are included in the BarraOne risk reporting system.
- The Chief Investment Officer (CIO) arranged for external speakers at five Investment Committee meetings and the October Board education session, to present their views on markets, economics and geopolitical events.
- Presented the first annual proxy voting summary report from Egan-Jones, which began voting the System's proxies on July 1, 2023.
- The CIO, Deputy CIO for Private Markets and Deputy CIO for Public Markets worked with the System's General Counsel and external counsel to develop policies in response to passage of the Countries of Concern Act adopted during the 2024 Legislative Session.
- Successfully presented and received Board approval for 10 new private market investments.
- 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 2025, significant progress continued in addressing building improvement needs, including updating the building's three elevators and remodeling the third floor for KPERS staff after the former tenant vacated the space.

## **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 the FY 2025 include:

- Judy McNeal, Chief Fiscal Officer, retired on March 13, 2025, after 32 years of service to KPERS and its members. Kris Holm was named her successor in March 2025. He served previously as the Chief Financial Officer and Director of Audit Services at the Kansas Department of Revenue.
- Received unqualified opinions on the FY 2024 financial audits of the Retirement System, the GASB 68 report, and the SOC 1 Type 2 report from Moss Adams.
- Received the Public Pension Coordinating Council (PPCC) Public Pensions Standards Award to KPERS for 2024.
- The Deputy CFO, Investment Controller and Employer Reporting Unit Manager attended the Public Pension Financial Forum's (P2F2) annual conference held in Indianapolis in October 2024. 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 CFO and Employer Reporting Unit Manager attended the annual GFOA conference in Washington D.C. in June 2025.
- Implemented Workiva financial reporting software in May 2025, which will assist in automating and streamlining the FY 2025 annual comprehensive financial report process, agency budget submission, and other ad hoc reports used by KPERS' stakeholders. The Workiva platform replaces Gravity and will enhance KPERS' financial reporting and data analytics capabilities.
- Continued participation in the KAPS Modernization project. The Employer Reporting Unit team members are active participants in the Employer Web Portal and Employer Reporting implementation.
- The Employer Auditing Unit issued and completed 90 employer audits during FY 2025. 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 24,000 calls and emails from employers and processed over 4,200 certifications during FY 2025. In addition, the Unit sent over 30,000 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 2025 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 2024 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 for potential or attempted fraud. Staff also identified and began and planning for additional features implemented during FY 2025.
- The Development and Infrastructure staff worked closely with the Information Security Team to strengthen the Member Web Portal against security vulnerabilities. Staff continued to partner with LexisNexis on real-time tools to prevent unwanted access and defend against account takeovers.
- 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.
- Successfully migrated KPERS' web domain from KPERS.ORG to KSPERS.GOV in response to Senate Bill 291, which was passed during the 2024 Legislative Session.
- Continued work on documentation, policies, and processes in preparation for the adoption of artificial intelligence.
- Completed two successful disaster recovery tests (in October 2024 and April 2025). Staff implemented a new approach to streamline the process without compromising the test's effectiveness.
- Began 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.
- In partnership with Sagitec, successfully upgraded the KITS application framework. It was a significant upgrade, and the teams prepared for several months to minimize risk as much as possible.
- Prepared data for the Member Information and Beneficiaries iteration of the KAPS Project and imported this data into the KAPS User Acceptance Testing environment. Staff began working on the data for Employers and Employments iterations and began building an archive data repository to store KITS data that will not be migrated.

## **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 2025 modernization initiatives include:

- Successfully completed contract negotiations and executed the contract for a new pension administration system with Tegrit Software Ventures, Inc. Held official project kickoff in October 2024. Established Project Steering Committee to provide strategic oversight and governance, and established the Project team to oversee project execution, understand the business needs and requirements, and provide specialized knowledge and expertise.
- Successfully completed detailed review of requirements and design of initial iteration with design for second iteration in progress. KPERS staff also assisted with reviewing and finalizing data mapping for the iteration. Developed and fine-tuned a process and created templates for updating letters, emails and forms. Completed planning and initial steps to allow KPERS staff to configure select business processes and workflows.
- Established a formal Organizational Change Management Team with representatives from our staff stakeholder groups. This included adopting a change management strategy, developing an initial change management plan, and recruiting a team of change ambassadors. In April, we conducted a staff readiness survey for staff impacted by the project, shared the results with staff and will their recommendations during FY 2026. We also hired a dedicated knowledge manager and assigned a part-time staff member and a Segal consultant to form the project training team. We adopted a training strategy during the year, and the Training and Communications teams started designing templates and approaches to ensure our process documentation, training materials and online help are responsive and available when needed.
- Established a dedicated User Acceptance Team by hiring a test lead and analyst and recruiting a KPERS staff member to provide business expertise. Established and refined the testing strategy and tools and successfully executed user acceptance testing for the initial iteration. The first iteration also included successful initial security testing by KPERS staff.
- Recruited a select group of employers to partner with us and provide feedback and suggestions on functionality, file formats, and communication and training materials. Held the first virtual meeting and established a quarterly cadence for the coming years. This group will be among the first employers to see and test the new Employer Web Portal as well as other functions in the new system.
- Continued working with CATCH on data cleansing activities and established a joint working group that includes staff from CATCH, Tegrit, Segal and KPERS to map and reconcile data and data exchanges between the existing and new systems. Also, began working with vendors to ensure we successfully migrate our imaged records

to the new system and improve the functionality of our imaging and document scanning equipment and processes.

## **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 2025 include:

### **Presentations**

- Made presentations to the Kansas State Council of Fire Fighters, Kansas Association of American Educators, Kansas Board of Education, and the Silver Hair Legislature.

### **Legislation**

- Prepared fiscal notes on request of the Division of Budget for 15 bills, including those related to: benefit plan design (changes to KPERS 3), defined contribution plan design (KRISP), working after retirement, retiree cost-of-living adjustments, updates to IRS language, extending the deadline for member appeals.
- Worked with the consulting actuary, CavMac, to coordinate and review 18 cost studies and related data for the legislature and administration, including the projected impact of additional funding, benefit changes in legislation (e.g., cost-of-living adjustments and benefit plan design changes) and a defined contribution plan design (KRISP).
- Prepared 19 presentations, testimony, memoranda, and reports on several KPERS-related issues for 21 legislative meetings. Topics included: KPERS 3 benefits overview, the December 31, 2023, actuarial valuation results, KPERS long-term funding, benefit plan design, and KPERS' FY 2025 and FY 2026 budget requests.

### **Planning and Research**

- Provided daily legislative activity emails for KPERS' staff, legislative summaries for the Board of Trustees, and legislative summaries for internal distribution and public access. Maintained bill summary documents for all KPERS-related bills introduced during the session. Worked with the Communications Team to keep the legislative webpage updated.
- Prepared responses for multiple information requests throughout the year from legislators, Trustees, Legislative Post Audit, and other interested parties on a range of topics, including KP&F benefits, KPERS' demographic data, history of employer contribution rates, and KPERS' funding.
- Acted as project sponsor on the data cleansing engagement with CATCH Intelligence. FY 2025 work included: data transformations, data staging in the "migration mart" for transmission to Tegrity, and weekly core working group meetings to review and improve data quality.

- Organized and facilitated strategic planning meetings with the Executive Committee and led the creation of the new strategic planning document for the period FY 2026-FY 2030.
- In collaboration with KPERS' General Counsel, assisted the Revisor of Statutes Office and Legislative Research with review of introduced legislation by identifying policy, drafting language, assessing implementation issues and timelines, and estimating administrative cost estimates.
- Coordinated review of the pension's actuarial valuation with KPERS' consulting actuary and staff. Coordinated the review of death and disability valuation with the actuary and staff. Also worked with the consulting actuary to provide employer contribution, amortization and funding information for the Governor's Office.
- Worked on the annual census data file team, which included implementing new data information requested by the consulting actuary and process streamlining efforts.

## **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, 2025 include:

- For the ninth consecutive year, total participant enrollment increased. In CY 2024, 2,425 new participants enrolled, bringing the total to 28,915.
- Total plan assets increased by 2.61% from \$1.53 billion in March 2024 to \$1.57 billion in March 2025. Of the total, State employees held \$999 million in assets and local members held \$566 million in assets.
- Total Plan deferrals for CY 2024 were \$83.6 million, a 20.3% increase compared to CY 2023 at \$69.5 million.
- The number of actively deferring participants increased to 14,309 as of March 31, 2025. This is a 5.6% increase over the previous year at 13,549.
- Collaborated with Empower on strategic planning to improve plan outcomes and effectiveness in CY 2025, 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 2024, with an additional eight joinder agreements signed through March 2025.
- Completed the 2024 Participant Satisfaction Survey. There were 1,412 responses to the survey, with a combined overall satisfaction rate of 89.3% (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 2024 for KPERS 457. Results of the audit will be available at the July 2025 Audit Committee meeting.
- Plan fees remained highly competitive (as of March 31, 2025). The gross weighted average net investment expenses were 34.9 basis points. This was 31.7 basis points when crediting net of revenue sharing to participants. Recordkeeping fees of 10.0 basis points for the final three quarters of 2024 and for the first quarter of 2025 produced \$1.73 million in revenue to Empower (as of March 31, 2025), a decrease of \$53,000 over last year's amount. KPERS 457's administrative was lowered from 4.8 basis points to 4.5 basis points. This generated about \$715,000 during the 12 months ending March 31, 2025. This was an increase of \$52,600 over last year's administrative fee receipts.
- In March, KPERS 457 entered into a float agreement with Empower, which provides that Empower will share 50% of all future float dollars generated from the interest earned on assets held temporarily by their operational bank. The float proceeds are to be paid quarterly to KPERS 457 within 60 days of quarter end. These funds will be held in the Unallocated Plan Assets account at Empower for use on future Plan expenditures.
- In April 2024, KPERS 457 introduced Empower's Managed Accounts product that provides participants with the ability to request specific investment advice related to their account for a fee paid by the participant. To date, over 1,100 participants have enrolled in the program.
- Provided an administrative fee credit of \$500,000 pro rata to all participants with an account balance greater than \$1, as of July 1, 2024. The credits were applied to over 27,000 participants' accounts. The average credited amount was \$24.65, and the maximum was \$709.22.
- Received our trademark certificate for KPERS 457 from the United States Patent and Trademark Office. We anticipate receiving a trademark certificate for the KPERS 401(a) Plan later this year.
- 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.



## **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 2026 is 11.68% and 11.32% for FY 2027. The State/School statutory employer contribution rates are equal to the actuarial required contribution rate in both FY 2026 and FY 2027.

Local employer contribution rates are paid on a calendar year basis. In CY 2026 the local employer rate is 9.54% and in CY 2027 the employer contribution rate is 9.44% 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 2026, the employer contribution rate is 12.34% for the C55 group and 13.13% for the C60 group. For FY 2027, the employer contributions are scheduled to be 12.30% for the C55 group and 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 23.16 % in FY 2026 and 21.29% in FY 2027.

FY 2026 and FY 2027 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 24.00% in CY 2026 and 24.51% in CY 2027. 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 (12/31/2024) the State/School group funded ratio is 75.3%. The total System funded ratio is 74.0%, 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 2026 Request	FY 2027 Estimate
Total General Operations Expenditures*	\$39,536,633	\$44,260,583

\*Total reflects General Operations, Death and Disability, Treasurer's Unclaimed Property Fund and Deferred Compensation administrative expenses. Included in FY 2026 and FY 2027 are expenditures related to the modernization of the pension administration system.

### ***EXPENDITURE JUSTIFICATION:***

#### ***Account Code Series 100: Salaries and Wages***

FY 2026 – \$16,628,399; FY 2027 – \$17,096,623: 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 2026 and Fiscal Year 2027 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. Additional staffing expenditures are 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 2026 – \$808,140; FY 2027 – \$815,600: 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 2026 – \$9,000; FY 2027 – \$9,250: 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 2026 – \$150,000; FY 2027 – \$155,000: 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 230,000 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 2026 – \$83,000; FY 2027 – \$85,000: KPERS maintains a business continuity site in Lawrence. In the past the cost of this space was subcontracted through the contract with our information technology vendor (Sagitec). Starting in FY 2022, KPERS took over the lease of the business continuity site and will continue to maintain the facility.

This level also includes funds for 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. Also included in this category is copier rental at the System's office.

***Account Code Series 240: Repairing and Servicing***

FY 2026 – \$2,376,664; FY 2027 – \$2,400,000: 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. The agency occupies office space on the first and second floors and pays the proportionate share of building management and janitorial services. KPERS also began occupying the third floor during FY 2025.

The FY 2026 and FY 2027 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 2026 – \$98,260; FY 2027 – \$103,260: 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) empowers 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 2026 and FY 2027.

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 2026 – \$800,300; FY 2027 – \$857,500: 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 2026 – \$17,901,370; FY 2027 – \$22,050,000: 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.

KPERS proportionate share of utilities costs for office space at the 611 S. Kansas building are included in this account code because the utilities costs are paid to the building management company.

The FY 2026 and FY 2027 budgets reflect 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 2026 and FY 2027. Additional detail on the modernization effort is included in a separate section of this narrative.

***Account Code Series 280: Utilities***

FY 2026 – \$5,000; FY 2027 – \$5,000: The amount budgeted for utilities are specific to KPERS business continuity site in Lawrence. In previous fiscal years this was included as part of the contractual cost for the business continuity site but has now shifted to this account code.

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 2026 – \$64,850; FY 2027 – \$66,200: 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 2026 – \$2,500; FY 2027 – \$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 2026 – \$5,000; FY 2027 – \$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 2026 – \$20,500; FY 2027 – \$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 2026 – \$76,150; FY 2027 – \$81,150: 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 2026 – \$7,500; FY 2027 – \$8,000: 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 2026 – \$500,000; FY 2027 – \$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 forces, 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—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.

It's crucial that KPERS implements a new pension administration system soon, before the existing one can no longer effectively meet the needs of the organization and its members.

### **Modernization Project**

KPERS completed a request for proposal in the fall of 2023. After receiving proposals from two qualified vendors, KPERS selected Tegrity and their Arrivos pension platform to partner on the project. The project kicked off in October 2024.

The project timeline is 5-years with a total cost of \$74 million. The modernization will be completed in 11 iterations over those five years. In these first 12 months of the project, the project has focused on foundational activities, such as project planning and technical setup of the systems environments and hosting as well as working through the functionality needed for the the member demographics and employer reporting modules of the new system. 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.

### **FY 2025 and FY 2026 Budget Request**

For FY 2026, the budgeted expenditures for the modernization project total \$15.1 million. This increases to \$18.4 million in FY 2027.

## **Enhancement Package**

No Enhancements are requested for FY 2026 or FY 2027.

## 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 (formerly fixed income), 13 percent real assets (formerly real return), 8 percent non-core fixed income (formerly yield driven), 12 percent real estate, 11 percent alternative investments, and 3 percent cash equivalents. The Board adopted new naming conventions for three asset classes, as noted, to better reflect the underlying investment strategy. These changes were effective from January 1, 2025 and after. 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 (FORMERLY YIELD DRIVEN) 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 (FORMERLY REAL RETURN) MANAGERS

- Molpus Woodlands Group (Timber)

- RMS Evergreen (Timber)
- Brookfield Asset Management (Infrastructure)
- JP Morgan Infrastructure (Infrastructure)
- IFM Global Infrastructure (Infrastructure)
- Axiom 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 \$4,134.6 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 \$3,646.9 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.

### **MACKEY SHIELDS** (Fixed Income – Core)

**Organization:** MacKay Shields has assets under management of \$1,342.7 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. has assets under management of \$1,291.8 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 has assets under management of \$1,326.8 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 Index ex-U.S, ex-China. Net 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 \$1,938.6 million in the International Equity portfolio. Baillie Gifford seeks to add value through bottom-up active management by making long-term investments in well researched and 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 \$1,878.0 million in the International Equity portfolio. 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 \$1,909.6 million in the International Equity portfolio. 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, or return on capital. 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 on the potential for improving or sustaining those returns.

#### **MFS INSTITUTIONAL ADVISORS** (International Equity – Active)

**Organization:** MFS Institutional Advisors manages System assets of \$1,155.0 million in the International Equity portfolio.

### **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. (The non-core fixed income component and benchmark were formerly known as "yield driven").

#### **LOOMIS, SAYLES & COMPANY** (Strategic Fixed Income)

**Organization:** Loomis Sayles manages \$690.2 million in a strategic fixed income portfolio. Loomis, Sayles 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 has assets under management of \$663.5 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 has assets under management of \$655.0 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 has assets under management of \$426.8 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 has assets under management of \$421.6 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%. (The real assets component and benchmark were formerly known as "Real Return").

## **MOLPUS WOODLANDS GROUP (Timber)**



**Organization:** Molpus Woodlands Group manages \$29.2 million in a 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 \$91.8 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.

#### **BROOKFIELD ASSET MANAGEMENT (Infrastructure)**

**Organization:** The Brookfield Americas Infrastructure Fund and Brookfield Super-Core Infrastructure Partners L.P. currently manage \$13.4 million and \$84.9 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 \$162.0 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 \$230.9 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:** Axiom Infrastructure U.S. LP currently manages \$137.9 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 ( $\geq 60\%$ ) and late-stage greenfield ( $\leq 40\%$ ) investment opportunities primarily in the contracted asset and regulated utility sectors.

## **CENTERSQUARE INVESTMENT MANAGEMENT (REITs)**

**Organization:** CenterSquare currently manages \$695.0 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 \$484.1 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 \$391.6 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 \$45.9 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 \$101.6 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 \$168.5 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 \$256.0 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 \$340.2 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 \$298.2 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 \$672.1 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 & RYSEL** (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 2025 is 10.3% for the System's total assets. The average annualized total return is 9.2% for the three years ending 6/30/25, and 9.4% for the five years ending 6/30/25. Over the past twenty years, the Retirement System's investment portfolio has earned an 7.5% average annualized total return.

### Investment Performance Report

For the Period Ending June 30, 2025

Time-Weighted Return (1)	Last Year	Latest 3 Years	Latest 5 Years
<b>Total Portfolio</b>	<b>10.3%</b>	<b>9.2%</b>	<b>9.4%</b>
Policy Index	12.0%	10.4%	9.0%
Consumer Price Index	2.7%	2.9%	4.6%
<b>Domestic Equity Portfolio</b>	<b>15.3%</b>	<b>19.0%</b>	<b>15.9%</b>
Russell 3000 Index	15.3%	19.1%	16.0%
<b>International Equity Portfolio</b>	<b>15.6%</b>	<b>14.2%</b>	<b>8.8%</b>
KPERS Int'l Equity Benchmark	16.5%	14.1%	10.2%
<b>Core Fixed Income Portfolio</b>	<b>6.4%</b>	<b>3.0%</b>	<b>-0.2%</b>
KPERS Core Fixed Income Benchmark	6.1%	2.5%	-0.7%
<b>Non-Core Fixed Income Portfolio</b>	<b>11.7%</b>	<b>8.7%</b>	<b>6.7%</b>
KPERS Non-Core Fixed Income Benchmark	11.1%	9.3%	7.0%
<b>Real Assets Portfolio</b>	<b>7.6%</b>	<b>5.7%</b>	<b>4.0%</b>
KPERS Real Assets Benchmark	4.5%	1.9%	1.3%
<b>Real Estate Portfolio</b>	<b>3.3%</b>	<b>-5.2%</b>	<b>4.4%</b>
KPERS Real Estate Benchmark	4.3%	-4.7%	4.2%
<b>Alternative Investment Portfolio</b>	<b>5.6%</b>	<b>4.4%</b>	<b>17.9%</b>
KPERS Alternative Investment Benchmark	17.3%	21.1%	18.0%
<b>Cash Equivalents Portfolio</b>	<b>5.1%</b>	<b>4.5%</b>	<b>2.6%</b>
KPERS Cash Equivalents Benchmark	4.8%	4.0%	2.0%

1) Time weighted total 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 28,285 state and local participants with total assets of approximately \$1.67 billion.

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

#### Deferred Compensation Plan Highlights\*

<b>Assets</b>	<b>\$ 1,672,799,434</b>
State	\$ 1,058,560,933
Local	\$ 614,238,501
<b>Participants</b>	<b>28,285</b>
State	14,818
Local	13,467
<b>Actively Deferring Participants</b>	<b>14,806</b>
State	7,924
Local	6,882
<b>Employers</b>	<b>468</b>
State	1
Local	467

\*As of 6/30/25

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 6/30/25 there are forty-two employers participating in the 401(a) plan with 953 participants and assets of \$15,442,066.

### **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 2025, 2,539 new participants enrolled in the plan. Eighteen local employers adopted the KPERS 457 plan during FY 2025, and twelve local employers adopted the 401(a) plan. During FY 2025, 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 \$694,346 in FY 2026 and \$695,984 in FY 2027.



404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 2277 2200 Name: NON-RETIREMENT ADMIN FD		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	140,124	239,499	239,499
462290	OTHER ADVANCE REFUND	179,931	100,000	100,000
Total Available		320,055	339,499	339,499
Total Reportable Expenditures		80,556	100,000	100,000
Total Expenditures		80,556	100,000	100,000
Balance Forward		239,499	239,499	239,499
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 2277 2220 Name: NRAF-INVESTMENT RELATED EXP		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	0	(164,450)	(164,450)
462290	OTHER ADVANCE REFUND	0	244,841	255,627
Total Available		0	80,391	91,177
Total Reportable Expenditures		164,450	244,841	255,627
Total Expenditures		164,450	244,841	255,627
Balance Forward		(164,450)	(164,450)	(164,450)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 2376 2300 Name: KPERS DEFER COMPNSATION FF		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	50,695	(33,193)	(33,193)
430150	AVERAGE DAILY BALANCE INTEREST	4,221	0	0
441010	ALL OTHER OPERATING GRANTS	500,000	664,346	665,984
	Total Available	554,916	631,153	632,791
	Total Reportable Expenditures	588,109	664,346	665,984
	Total Expenditures	588,109	664,346	665,984
	Balance Forward	(33,193)	(33,193)	(33,193)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 2376 2310 Name: Deferred Contrib 401(a) Plan		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(7,445)	(12,445)	(12,445)
441010	ALL OTHER OPERATING GRANTS	0	30,000	30,000
	Total Available	(7,445)	17,555	17,555
	Total Reportable Expenditures	5,000	30,000	30,000
	Total Expenditures	5,000	30,000	30,000
	Balance Forward	(12,445)	(12,445)	(12,445)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7000 2000 Name: KS ENDOWMENT FOR YOUTH FD		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	0	(9,433,850)	(9,433,850)
430150	AVERAGE DAILY BALANCE INTEREST	1,150,501	0	0
454090	OTHER FINES PENALTIES FORFEIT	47,364,054	0	0
766020	OPERATING TRANSFERS OUT	(57,948,405)	0	0
	Total Available	(9,433,850)	(9,433,850)	(9,433,850)
	Total Expenditures	0	0	0
	Balance Forward	(9,433,850)	(9,433,850)	(9,433,850)
KANSAS		404 Report	jvanfleet / 2027-A-02-00365	

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 7000 Name: KS PUB EMP RETIREMENT FD		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	7,867,092,463	8,107,268,590	9,770,924,216
462290	OTHER ADVANCE REFUND	2,090,520,000	2,482,107,601	2,602,483,538
462900	OTHER REIMB AND REFUNDS	3,485	0	0
463100	EMPLOYEE CONTRIBUTIONS	553,038,807	566,864,777	581,036,396
463190	EMPLOYEE DROP CONTRIBUTIONS	298,734	306,202	313,857
463200	EMPLOYER CONTRIBUTIONS	1,107,336,572	1,167,362,551	1,164,575,869
463240	EMPLOYER PENALTY	2,415,008	2,545,920	2,539,842
463250	ER CONTR AFTER RETIREMENT	12,108,678	12,765,059	12,734,587
463290	EMPLOYER DROP CONTRIBUTIONS	968,484	1,260,022	1,255,429
463600	PURCH PRIOR SERVICE CREDIT	4,501,814	4,750,000	4,750,000
463710	RECOVERY PRIOR FY MONTHLY BEN	107,696	0	0
463720	RECOVERY PRIOR FY WITHDRAWALS	71,378	0	0
463730	RECOVERY PART LUMP SUM RETIRE	257,803	0	0
463780	RECOVERY PRIOR FY DEATH BENEF	9,552	0	0
766020	OPERATING TRANSFERS OUT	0	(92,198,905)	(97,813,376)
Total Available		11,638,730,474	12,253,031,817	14,042,800,358
Total Non-Reportable Expenditures		1,380,591,998	60,000,000	60,000,000
Total Reportable Expenditures		2,150,869,886	2,422,107,601	2,542,483,538
Total Expenditures		3,531,461,884	2,482,107,601	2,602,483,538
Balance Forward		8,107,268,590	9,770,924,216	11,440,316,820
KANSAS		404 Report	jvanfleet / 2027-A-02-00365	

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 7400 Name: KPER-AGENCY OPERATIONS		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(3,809,947)	(36,156,116)	(36,156,116)
462900	OTHER REIMB AND REFUNDS	127,609	0	0
463790	RECOVERY PRIOR FY ADMIN EXP	56	0	0
766010	OPERATING TRANSFERS IN	0	38,163,146	42,883,136
Total Available		(3,682,282)	2,007,030	6,727,020
Total Reportable Expenditures		32,473,834	38,163,146	42,883,136
Total Expenditures		32,473,834	38,163,146	42,883,136
Balance Forward		(36,156,116)	(36,156,116)	(36,156,116)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 7405 Name: KPER-AUDIT SERVICES TRANSFER		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(10,000)	(122,000)	(122,000)
766010	OPERATING TRANSFERS IN	0	155,000	155,000
	Total Available	(10,000)	33,000	33,000
	Total Reportable Expenditures	112,000	155,000	155,000
	Total Expenditures	112,000	155,000	155,000
	Balance Forward	(122,000)	(122,000)	(122,000)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365



404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8000		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
Name: KPER-INVESTMENT RELATED EXP				
40007	CASH FORWARD	(47,049)	(3,484,399)	(3,484,399)
766010	OPERATING TRANSFERS IN	0	3,753,724	3,749,007
Total Available		(47,049)	269,325	264,608
Total Reportable Expenditures		3,437,350	3,753,724	3,749,007
Total Expenditures		3,437,350	3,753,724	3,749,007
Balance Forward		(3,484,399)	(3,484,399)	(3,484,399)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8020 Name: KPER-IRE-REAL ESTATE MGMT FEES		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(68,180)	(585,680)	(585,680)
766010	OPERATING TRANSFERS IN	0	421,000	451,000
	Total Available	(68,180)	(164,680)	(134,680)
	Total Reportable Expenditures	517,500	421,000	451,000
	Total Expenditures	517,500	421,000	451,000
	Balance Forward	(585,680)	(585,680)	(585,680)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8030 Name: KPER-IRE-PUB TRADED SEC MGMT		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(10,586,310)	(56,052,616)	(56,052,616)
766010	OPERATING TRANSFERS IN	0	45,985,965	46,615,183
	Total Available	(10,586,310)	(10,066,651)	(9,437,433)
	Total Reportable Expenditures	45,466,306	45,985,965	46,615,183
	Total Expenditures	45,466,306	45,985,965	46,615,183
	Balance Forward	(56,052,616)	(56,052,616)	(56,052,616)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8040 Name: KPER-IRE-DIRCT PLCMT INVST PRG		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	0	(500)	(500)
	Total Available	0	(500)	(500)
	Total Reportable Expenditures	500	0	0
	Total Expenditures	500	0	0
	Balance Forward	(500)	(500)	(500)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8050 Name: KPER-IRE-CUSTODIAL BANK FEES		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(346,327)	(2,364,527)	(2,364,527)
766010	OPERATING TRANSFERS IN	0	1,256,145	1,266,075
	Total Available	(346,327)	(1,108,382)	(1,098,452)
	Total Reportable Expenditures	2,018,200	1,256,145	1,266,075
	Total Expenditures	2,018,200	1,256,145	1,266,075
	Balance Forward	(2,364,527)	(2,364,527)	(2,364,527)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7002 8060 Name: KPER-IRE-INVEST CONSULTANT FEE		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	(216,366)	(2,628,704)	(2,628,704)
766010	OPERATING TRANSFERS IN	0	2,463,925	2,693,975
	Total Available	(216,366)	(164,779)	65,271
	Total Reportable Expenditures	2,412,338	2,463,925	2,693,975
	Total Expenditures	2,412,338	2,463,925	2,693,975
	Balance Forward	(2,628,704)	(2,628,704)	(2,628,704)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7357 9100 Name: OPT DEATH BEN PLAN RESV FD		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	1,208,893	1,056,421	1,056,421
430150	AVERAGE DAILY BALANCE INTEREST	53,641	0	0
463400	OPTIONAL LIFE INSURANCE	8,738,977	8,826,367	8,914,631
	Total Available	10,001,511	9,882,788	9,971,052
	Total Reportable Expenditures	8,945,090	8,826,367	8,914,631
	Total Expenditures	8,945,090	8,826,367	8,914,631
	Balance Forward	1,056,421	1,056,421	1,056,421
KANSAS		404 Report		jvanfleet / 2027-A-02-00365

404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7358 9200 Name: GROUP INSURANCE RESERVE FD		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	5,609,370	30,829,466	50,829,466
430150	AVERAGE DAILY BALANCE INTEREST	313,875	0	0
463300	INSURANCE CONTRIBUTION	97,231,506	97,250,000	97,250,000
	Total Available	103,154,751	128,079,466	148,079,466
	Total Non-Reportable Expenditures	53,000,000	55,000,000	55,000,000
	Total Reportable Expenditures	19,325,285	22,250,000	22,250,000
	Total Expenditures	72,325,285	77,250,000	77,250,000
	Balance Forward	30,829,466	50,829,466	70,829,466
KANSAS		404 Report		jvanfleet / 2027-A-02-00365



404 Report

Agency: 00365 Kansas Public Employees Retirement System  
Version: 2027-A-02-00365

Fund Number: 7358 9220 Name: KPER-GROUP TERM LIFE		FY 2025 Actuals	FY 2026 Adjusted Budget Request	FY 2027 Adjusted Budget Request
40007	CASH FORWARD	0	(20,420,573)	(40,420,573)
463300	INSURANCE CONTRIBUTION	0	0	0
	Total Available	0	(20,420,573)	(40,420,573)
	Total Reportable Expenditures	20,420,573	20,000,000	20,000,000
	Total Expenditures	20,420,573	20,000,000	20,000,000
	Balance Forward	(20,420,573)	(40,420,573)	(60,420,573)
KANSAS		404 Report		jvanfleet / 2027-A-02-00365