

MEMORANDUM

To: Senate Financial Institutions and Insurance

From: Alan D. Conroy, Executive Director

Date: January 26, 2021

Subject: SB 322; Transfer of Proceeds from Surplus Property Sales

SB 322, as introduced, eliminates the deposit of proceeds from the sale of surplus State real estate to the KPERS Trust Fund for the School group unfunded actuarial liability. The proceeds from the sale would instead be credited to the state agency selling the surplus real estate.

Current Law

Current law states at K.S.A. 75-6609 that 80% of the proceeds from the sale surplus real estate, after expenses are deducted, shall be credited to the KPERS Trust Fund to be applied to the payment, in full or in part, of the unfunded actuarial liability of the KPERS School group. The remaining 20% remains with the state agency that sold the surplus real estate.

This language was first added in 2012 HB 2333, which was the legislation that enacted several pension reforms to increase funding to the KPERS Trust Fund to decrease the unfunded actuarial liability. HB 2333 included the KPERS 3 cash balance plan design and increases in employer and employee contributions to KPERS.

History of Transfers Due to K.S.A. 75-6609

KPERS has received proceeds from seven sales of surplus real estate since 2012. The total proceeds to the KPERS Trust Fund have been \$1.9 million, summarized in the table on the following page.

The Legislature has exempted certain sales from the provisions of K.S.A. 75-6609 several times since the language was established 2012.

Transfers to the KPERS Trust Fund due to the Sale of Surplus State Property (K.S.A. 75-6609)	
<u>FY 2014</u>	
Dillon House	\$538,688
Atchison - Juvenile Justice Authority	\$382,382
<u>FY 2015</u>	
925 Sunshine - Department for Children and Families	\$322,506
<u>FY 2017</u>	
Lost 80 Park - Department of Corrections	\$128,617
<u>FY 2018</u>	
414-420 SW Jackson - Department of Labor	\$25,881
<u>FY 2020</u>	
Chanute Building - Department for Children and Families	\$81,670
<u>FY 2021</u>	
Kansas Insurance Building	\$418,117
Total	\$1,897,862

Actuarial Costs

Relative to the size of the School group unfunded actuarial liability (\$5.3 billion), the \$1.9 million received in the 10 years since the passage of the language has not had a significant impact on the unfunded actuarial liability.

Because the proceeds do not occur regularly and the impact is very small relative to the total unfunded actuarial liability, no actuarial cost impact is expected.

I would be pleased to answer any questions the Committee has regarding SB 322.