

February 11, 2022

The Honorable Steven Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 218-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2612 by House Committee on Insurance and Pensions

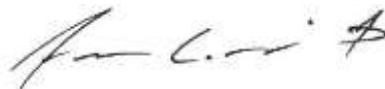
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2612 is respectfully submitted to your committee.

HB 2612 would add a self-funded (employee funded) cost of living adjustment (COLA) option to the KPERS Tier-1 and KPERS Tier-2 retirement plans for active KPERS members at the time of member retirement. These Tier-1 and Tier-2 members would have the option to choose a COLA funded through an actuarial reduction to the member's calculated benefit.

The KPERS actuary states that future Tier-1 and Tier-2 retirees could select a new fixed percentage COLA in addition to the existing benefit options. The COLA would be funded by the member taking an actuarial reduction to the initial benefit amount to offset the cost of increasing future benefit amounts by a fixed percentage. The bill would allow the KPERS Board to establish one or more fixed percentages as well as the actuarial factors to be used in determining the reduction in the initial benefit. The KPERS Tier 3 retirement plan currently has a 1.0 percent and 2.0 percent option selected by the Board. The fixed COLA options would be actuarially equivalent to the non-COLA benefit, which means that theoretically there would be no additional cost to the retirement system. However, the optional COLA payment factors would be developed based on certain assumptions regarding future investment returns and mortality experience. If actual experience would vary from actuarial assumptions, there could be actuarial experience gains or losses.

KPERS indicates that the enactment of HB 2612 would require changes to the KPERS pension administration system to allow for the new benefit options, as well as changes to existing KPERS publication and education materials. Any administrative costs would be negligible and could be absorbed with the agency's current budget and staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS