

March 1, 2023

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
300 SW 10th Avenue, Room 546-S
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 256 by Senate Committee on Ways and Means

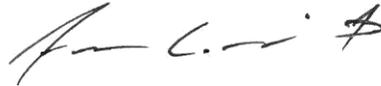
In accordance with KSA 75-3715a, the following fiscal note concerning SB 256 is respectfully submitted to your committee.

Under current law, KPERS Tier 3 members' accounts earn a guaranteed 4.0 percent interest rate each year and are eligible for a statutory dividend interest rate. This statutory formula provides 75.0 percent of the net 5-year rolling average investment return above 6.0 percent. SB 256 would suspend the statutory formula and provide an additional 1.0 percent dividend interest credit to all Tier 3 member accounts on December 31, 2023, with the statutory formula resumed in subsequent years.

According to the KPERS actuary, providing an additional 1.0 percent interest credit is considered relatively small, since most Tier 3 account balances are modest because Tier 3 has only been in place since FY 2015. The KPERS actuary does not have complete data to perform a cost study based on providing a 1.0 percent additional interest credit for accounts on December 31, 2023. However, based on the latest actuarial information, giving an additional 1.0 percent interest credit for Tier 3 accounts as of December 31, 2022, would result in an increase of the unfunded actuarial liability (UAL) of KPERS by \$3.4 million, including \$2.3 million for the State/School Group and \$1.1 million for the Local Group. For both the KPERS State/School Group and the Local Group, this increase in the UAL would increase the employer contribution rate by 0.01 percent for both groups, beginning in FY 2024.

KPERS indicates that any additional administrative cost to implement the bill would be negligible. Any fiscal effect associated with SB 256 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt". The signature is fluid and cursive, with a distinct flourish at the end.

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS