



Steven J. Anderson, CPA, MBA, Director

Division of the Budget

Sam Brownback, Governor

February 14, 2011

The Honorable Mitch Holmes, Chairperson
 House Committee on Pensions and Benefits
 Statehouse, Room 166-W
 Topeka, Kansas 66612

Dear Representative Mitch Holmes:

SUBJECT: Fiscal Note for HB 2086 by Joint Committee on Pensions, Investments and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2086 is respectfully submitted to your committee.

HB 2086 would raise the statutory maximum increase in employer contributions for KPERS State, School and Local Groups from 0.6 percent to 1.0 percent each year, beginning FY 2013 for the State and School Group and calendar year 2013 for the Local Group.

According to KPERS, enactment of HB 2086 would increase employer contributions to the state's retirement system:

| KPERS State and School Group Employer Contributions | | | |
|---|---------------------|-----------------|----------------------------|
| <i>(dollars in millions)</i> | | | |
| Employee Contributions | Current 0.6% Cap | HB 2086 | Additional Contribution |
| FY 2013 | \$ 440.3 | \$ 459.1 | \$ 18.8 |
| FY 2014 | 480.4 | 520.1 | 39.6 |
| FY 2015 | 524.9 | 584.5 | 59.6 |
| FY 2016 | 571.0 | 652.8 | 81.8 |
| | | | |
| | | FY 2013-FY 2033 | \$ (1,161.7) |
| KPERS Local Group Employer Contributions | | | |
| <i>(dollars in millions)</i> | | | |
| Employee Contributions | Current 0.6% Cap | HB 2086 | Additional Contribution |
| FY 2013 | \$ 145.6 | \$ 152.9 | \$ 7.3 |
| FY 2014 | 161.8 | 177.0 | 15.2 |
| FY 2015 | 179.1 | 202.6 | 23.5 |
| FY 2016 | 197.3 | 215.0 | 17.7 |
| | | | |
| | | FY 2013-FY 2033 | \$ (97.9) |

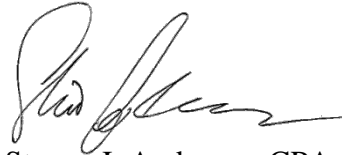
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Although there would be short-term increases to employer contributions for the KPERS State and School Group and the Local Group, the bill would reduce total employer contributions over time through FY 2033. By speeding up the rate at which employer contributions increase, additional revenues to KPERS is projected to reduce the actuarial required contribution rate (ARC) date, which results in reduced employer contributions over time. For example, with HB 2086, the State Group is estimated to reach an ARC rate of 9.55 percent in FY 2013. Without HB 2086, the State Group's ARC rate would be 11.8 percent in FY 2018. For the School Group, with HB 2086, the ARC rate is estimated to be reached in FY 2021 at a rate of 17.59 percent. Without HB 2086, the group does not reach the ARC rate before the end of the UAL amortization period in FY 2033, with a statutory rate of 21.37 percent. For the State and School Group, total savings are projected to be \$1.2 billion, and \$97.9 million for the Local Group. Any fiscal effect associated with HB 2086 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Faith Loretto, KPERS