

April 1, 2013

The Honorable Steven Johnson, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2380 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2380 is respectfully submitted to your committee.

HB 2380 would provide three post-retirement benefit increases for members who have been retired at least one year prior to the date the increase is granted and for eligible joint annuitants of deceased members. Each post-retirement benefit increase would be in the amount of 1.0 percent of the retiree's or joint annuitant's retirement benefit with the first increase beginning July 1, 2013, and the second and third increases taking effect on July 1, 2014, and July 1, 2015, respectively. The actuarial accrued liabilities would be amortized over a 15-year period using the level percent of payroll amortization method for local members of Kansas Public Retirement System (KPERs) and Kansas Police and Firemen's (KP&F) Retirement System. For the remaining members, the liabilities would be amortized over a 15-year period using the level dollar amortization method.

The post-retirement benefit increases in HB 2380 would be provided to current retirees and those retiring in the next two years. However, the increases have not been prefunded and would create an unfunded actuarial liability. This additional liability would be amortized through increases in employer contributions. KPERs estimates that the three 1.0 percent post-retirement benefit increases would increase the total unfunded actuarial liability for the KPERs, KP&F, and Judges plans by \$327.5 million.

KPERs indicates that the increased benefit payments for eligible members are difficult to estimate because of the number of variables that would affect who receives the benefit adjustments. For any benefit increases resulting from the passage of the bill, the payments would be considered "off budget" for budgeting purposes. The agency estimates total administrative expenses over the three-year period of \$120,042. This amount includes \$38,014 per year for notifications to eligible retirees and a one-time expense of \$6,000 for information

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technology system modifications. Any fiscal effect associated with HB 2380 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

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

cc: Faith Loretto, KPERS