

February 12, 2014

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 2589 by House Committee on Pensions and Benefits

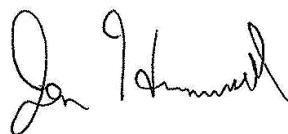
In accordance with KSA 75-3715a, the following fiscal note concerning HB 2589 is respectfully submitted to your committee.

HB 2589 would repeal statutes which prohibit the investment of KPERS funds in companies with certain types of business operations in Sudan.

KPERS indicates that the agency contracts with research firms to determine companies that have business operations in Sudan. HB 2589 would allow KPERS to end those subscriptions, which cost \$21,638 annually. Additionally, it is estimated that transaction costs for the sale of companies with operations in Sudan and reinvestment in other holdings would be five to six basis points of the market value of the international equity portfolio. Also, the annual tracking error costs are estimated at 30 to 50 basis points of the market value of the international equity portfolio.

On a current market value of the international equity portfolio totaling \$4.5 billion, the five to six basis points for transaction costs totals between \$2.3 million and \$2.7 million annually. The tracking error of 30 to 50 basis points on the market value of the international equity portfolio totals between \$13.5 million and \$22.5 million annually. The tracking error could be positive or negative in its relative impact to the portfolio. Any fiscal effect associated with HB 2589 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,



Jon Hummell,  
Interim Director of the Budget

cc: Faith Loretto, KPERS