

March 6, 2019

The Honorable Jim Kelly, Chairperson  
House Committee on Financial Institutions and Pensions  
Statehouse, Room 581-W  
Topeka, Kansas 66612

Dear Representative Kelly:

**SUBJECT:** Fiscal Note for HB 2142 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2142 is respectfully submitted to your committee.

HB 2142 would increase the lump-sum death benefit to a retirement system member's beneficiary from \$4,000 to \$10,000. The benefit change would apply to all retirement groups including the KPERS State/School Group, the KPERS Local Group, the Kansas Police and Firemen's System (KP&F) and the Judges Group.

According to KPERS, increasing the death benefit would increase the unfunded actuarial liability for all retirement groups by \$261.8 million. The increase in the unfunded actuarial liability would result in increased employer contribution rates for all retirement groups (including KPERS Local Group and KP&F local affiliated employers). KPERS estimates \$27.3 million from all funds would be required from all groups in the first year. The estimate assumes the increase to the unfunded actuarial liability would be amortized over 20 years. Of the total amount, \$20.0 million from all funds would be for the KPERS State/School Group. The Division of the Budget estimates approximately \$16.7 million would be from the State General Fund.

KPERS notes that under current law, changes to benefit provisions must be funded in the fiscal year immediately after the changes are passed. As a result, the employer contribution rate changes associated with HB 2142 would take effect in FY 2020. For example, the KPERS State/School Group employer contribution rate for FY 2020 is 14.41 percent. If HB 2142 were enacted, the rate would increase to 14.84 percent, requiring the additional amounts mentioned above in FY 2020.

Increasing the death benefit would require KPERS to modify its information technology system and change publications and educational materials. The agency estimates the costs associated with these adjustments could be absorbed within existing resources. Any fiscal effect associated with HB 2142 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell  
Director of the Budget

cc: Jarod Waltner, KPERS