

SESSION OF 2021

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2243

As Recommended by House Committee on
Insurance and Pensions

Brief*

HB 2243 would change the frequency of the actuarial experience and cost study performed by the Board of Trustees (Board) of the Kansas Public Employees Retirement System (KPERs or the Retirement System) from once every three years to once every four years. This change would begin with the latest study completed prior to July 1, 2021.

In its fiduciary duty to act in the best interests of the Retirement System, the Board would have the discretion to adjust the frequency of the study from the four years specified in the bill to not any more frequent than once every three years and not any less frequent than once every five years.

The bill would also make technical changes.

Background

The bill was introduced by the House Committee on Insurance and Pensions at the request of Representative Steven Johnson.

[*Note:* The bill is identical, absent technical updates, to 2020 HB 2619, as recommended by the House Committee on Financial Institutions and Pensions.]

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

House Committee on Insurance and Pensions

In the House Committee hearing, a representative of KPERS presented neutral information regarding the use of actuarial experience studies, a common practice, for large public pensions plans. The study examines the economic and demographic assumptions and methods used in the actuarial valuation. Economic assumptions include the inflation rate, investment return assumption, and general wage growth. Demographic assumptions include mortality, retirement rates, termination rates, and benefit selections. Actuarial methods include the amortization method for the unfunded actuarial liability, the asset valuation method, and the actuarial cost method (*i.e.*, how the costs of benefits are allocated throughout a member's career). A triennial study has been conducted since 1962, a year after the Retirement System was established.

The conferee indicated that changing to a four-year schedule would provide an additional year of data in evaluating the actual experience, thus improving the credibility of the results for certain demographic assumptions.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, KPERS notes the cost to complete an actuarial experience study is built into the contract for actuarial services. The enactment of the bill would not change any budgeted expenditures in FY 2021 or FY 2022. However, KPERS notes the bill allows the Board to delay the next experience study by one year, which is currently scheduled to be completed in FY 2023 at an estimated cost of \$55,000.

Retirement System; actuarial experience study; KPERS Board of Trustees