

February 11, 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 2114 by Vision 2020 Committee

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2114 is respectfully submitted to your committee.

Under current law, Kansas Police and Firemen's Retirement System (KP&F) members vest upon completion of 15 years of service. HB 2114 would reduce the vesting period for these members to ten years, effective July 1, 2011.

According to KPERS, reducing the vesting period would provide a guaranteed benefit with fewer years of service and decrease the number of inactive members who withdraw employee contributions and interest. However, only members who would terminate service with at least ten but less than 15 years of service would be affected by the change in vesting. KPERS estimates that the unfunded actuarial liability for the KP&F retirement system would increase by \$2.0 million, and the actuarial contribution rates would increase by 0.02 percent age points, with the enactment of HB 2114. Any fiscal effect associated with HB 2114 is not reflected in *The FY 2012 Governor's Budget Report*. The following table summarizes the fiscal effect on the retirement system from FY 2012 through FY 2014. The projected 0.02 percent age point increase in the employer contribution rate would continue in years beyond FY 2014.

	Unfunded	Increased		
	Actuarial	Employer Contributions		
<u>Group</u>	<u>Liability</u>	<u>FY 2012*</u>	<u>FY 2013*</u>	<u>FY 2014*</u>
State	\$ 207,600	\$ 9,722	\$ 10,100	\$ 10,515
Local	1,792,400	85,583	89,006	92,567
Total	\$2,000,000	\$ 95,305	\$ 99,106	\$ 103,082

*State fiscal years beginning July 1, and local fiscal years beginning January 1.

Sincerely,



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

cc: Faith Loretto, KPERS