

March 7, 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 2333 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2333 is respectfully submitted to your committee.

HB 2333 would phase in a "95-point" retirement eligibility rule for active Tier 1 KPERS members. Under current law, Tier 1 members of KPERS may retire with unreduced retirement benefits if one of the following conditions is met: (1) attain age 65 with one year of service credit; (2) attain age 62 with ten years of service credit; or (3) any age when the member's age and years of service credit added together equal 85, also commonly known as the 85-point rule.

HB 2333 would replace the 85-point rule for Tier 1 members with a phased-in 95-point rule. Effective July 1, 2012, 86 points would be required to retire, and the point threshold would continue to increase annually by one point until July 1, 2021, when the threshold would be 95 points. However, any member who has achieved 85 points prior to July 1, 2012, would remain eligible to retire with 85 points.

By extending the time required for Tier 1 KPERS members to be eligible for full retirement benefits, HB 2333 would likely reduce the total length of time those members and their beneficiaries receive benefits. As a result, enactment of HB 2333 would lower the actuarial liability for KPERS. The following table illustrates the decrease in the unfunded actuarial liability by participating KPERS employers:

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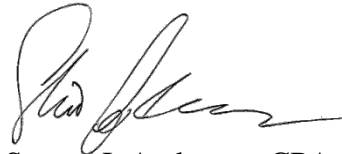
KPERS Long-Term Savings with HB 2333

(dollars in millions)

KPERS Group	Decrease in Unfunded Actuarial Liability	Decrease in Total Actuarial Required Contribution Rate
State	\$ 74.00	0.65%
School	374.00	1.12%
Local	<u>98.00</u>	0.62%
Total	\$ 546.00	

Implementation of HB 2333 would require modifications to the KPERS information system, such as software design and development to establish new retirement eligibility rules and to track individual Tier 1 member eligibility through the ten-year transition to the 95 point rule. The one-time cost for such modifications is estimated to be approximately \$7,500, all from the KPERS Fund. Any fiscal effect associated with HB 2333 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,



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

cc: Faith Loretto, KPERS