

April 24, 2012

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 2688 by Representative Patton

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2688 is respectfully submitted to your committee.

For the purpose of calculating KPERS employer contributions and member benefits for Kansas legislators, current law provides that legislative compensation is a monthly amount equal to the legislative pay received during the period of January 15 to February 14 of each legislative session, including any amounts for expenses that are received. As a result, the KPERS calculation for legislative compensation is effectively based on 372 days per year (31 days X 12 months = 372 days). Compensation can include a daily salary (\$88.66 per day), daily expenses during the legislative session (\$123.00 per day), and non-session expenses during the interim (\$354.15 biweekly).

For KPERS calculation of legislative compensation, a legislator makes an irrevocable election to determine which types of compensation would be included for KPERS benefit purposes. "Level A" includes the daily salary only. "Level B" includes both the daily salary, plus regular session expenses. "Level C" includes all compensation in Level B, plus non-session expenses. Leadership pay for legislative leaders, such as the President of the Senate and the Speaker of the House, is automatically included in the compensation calculation of those legislators. HB 2688 would remove the current KPERS calculation of legislative compensation. Instead, compensation would be calculated on the number of days that a legislator is actually paid a daily salary (plus leadership pay for those eligible), and would not allow this amount to be annualized and would be retroactive to January 8, 2007. In addition, the bill would require KPERS to refund any employee contributions paid for service on or after January 8, 2007, for any contributions in excess of the amounts allowed in this bill.

According to KPERS, enactment of HB 2688 would result in a sizable reduction in the employer contributions for legislative members, as well as an eventual corresponding reduction of retirement benefits paid to legislative members. However, the reduction of retirement benefits may not be as large for those legislators with several years of service prior to January 8, 2007.

The Honorable Mitch Holmes, Chairperson

April 24, 2012

Page 2—2688

Changing the definition would reduce compensation on which contributions are made to KPERS. However, the bill does not change the use of annualized salaries in calculating a member's retirement benefit from the contribution history of legislative members before January 8, 2007. The final average salary for KPERS Tier 1 members is based on the highest three years of compensation, not the three most recent years. For KPERS Tier 2 members, final average salary is the average of the five highest years of compensation. As a result, a considerable number of legislators in the near future would receive benefits based on their annualized pre-2007 salaries.

KPERS does not have an estimate of the total contribution refunds that could be expected, or the reduction in the state's retirement system liabilities associated with lower legislative compensation, as calculated by HB 2688. However, the agency notes that the number of legislative members is very small relative to the entire KPERS membership. The agency anticipates that any fiscal effect from the enactment of HB 2688 would be negligible to the state's retirement system.

In addition, KPERS states that because of the retroactive provisions included in the bill, the agency's member services and fiscal services staff would need to perform a number of manual recalculations, make corresponding adjustments in member records, and process refunds to legislative members. While the agency would anticipate these additional duties to be performed by existing staff, additional funding for overtime pay may be required for timely and responsive implementation. However, the agency does not give an estimate of the potential overtime costs. Any fiscal effect associated with HB 2688 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Faith Loretto, KPERS  
Jeff Russell, Legislative Services