REVISED
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SUPPLEMENTAL NOTE ON
SUBSTITUTE FOR HOUSE BILL NO. 2333

As Recommended by House Committee on Pensions and Benefits

Brief*

Sub. for HB 2333 would revise the retirement plan administered by the Kansas Public Employees Retirement System (KPERS) for the benefit of most current state, school and local government employees. The bill would not apply to the Kansas Police and Firemen's (KP&F) Retirement Plan or to the Retirement Plan for Judges.

First, the bill would reduce the annual KPERS benefit multiplier from 1.75 percent to 1.4 percent for future service credit, beginning July 1, 2012, for all current and future public employees working for state, school and local public employers.

Second, the bill would increase the cap on annual KPERS employer contributions from 0.6 percent to 0.8 percent on July 1, 2012, for the state, school and local public employers.

Third, the bill would direct that any net proceeds from the sale of state real property to be transferred to KPERS for the purpose of reducing the unfunded actuarial liability of the state and school groups.

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*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

Background

HB 2333, as introduced, would have increased the 85 point retirement calculation for normal KPERS retirement to 95 points over a phase-in period between July 1, 2012 and July 1, 2021. No proponents testified in favor of the bill as introduced. Two representatives of educational entities, the Kansas National Education Association and USD 259 (Wichita Public Schools) opposed the bill as introduced.

The House Committee amended the bill to include modifications in current KPERS law, but after reconsideration of one of the earlier actions originally approved, the House Committee removed a provision that would have changed KPERS normal retirement age for current and future employees to match the Social Security full retirement age that ranges from 65 to 67 depending upon birth year. The provisions included in the bill are:

Future service credit. The 1993 Legislature increased the multiplier from 1.4 percent to 1.75 percent for both prior and future service credit effective July 1, 1993. Prior service credit referred to retroactively increasing the multiplier for previous credited service, and future service credit referred to all credit after July 1, 1993. The 2011 House Committee amendment would address only future service credit that is earned on and after July 1, 2012 in setting the 1.4 percent rate.

Cap on KPERS employer contributions. The current 0.6 percent cap on annual increases was implemented in FY 2008 after the 2003 Legislature passed legislation to gradually raise the rate from 0.2 percent over several years beginning in FY 2005. The 2011 House Committee amendment would increase the rate to 0.8 percent in FY 2013 for the state and school groups, and January 1, 2012 for the local governments.

Net proceeds from the sale of state real property. This provision would be effective July 1, 2012, to direct that

80 percent of net proceeds from the sale of state real property would be used to help pay off the state and school groups' KPERS unfunded actuarial liability.

A revised fiscal note was submitted by KPERS regarding the impact of the changes included in Sub. for HB 2333.

A reduction in the service credit multiplier from 1.75 percent to 1.4 percent represents a decrease of 20.0 percent in the calculation of retirement benefits for each year the lower rate would be applied. Beginning July 1, 2012, the lower multiplier will be applied for each year of future service credit.

The increase in the KPERS employer contribution cap by 0.2 percent is effective in FY 2012: for the state and school groups, the effective date is July 1, 2011; for the local units of government, the effective date is January 1, 2012. The estimated cost for the state and school group increase in employer contributions during FY 2013 by raising the cap to 0.8 percent would be $9.4 million from all funds, including approximately $8.0 million from the State General Fund. The estimated cost for the local governments in FY 2013 for raising the cap on contributions would be $3.7 million.

The revised fiscal note indicated that for the state and school groups, the actuarially required contribution rate would be reached in FY 2021 at 15.6 percent. Total savings in state and school employer contributions are estimated at $3.7 billion as a result of the changes in the bill and will accrue through FY 2033.