CORRECTED
SESSION OF 2014

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2533

As Amended by House Committee on Pensions and Benefits

Brief*

HB 2533, as amended, would make retirement plan design changes for future tier 3 members of the Kansas Public Employees Retirement System (KPERS) plan to be implemented on January 1, 2015, and would include most newly hired public employees. The bill would:

- Change the base year for initial calculation of interest credits on annuity savings accounts and on retirement annuity accounts;
- Reduce the minimum guaranteed crediting rate from 5.25 percent to 4.0 percent for both types of accounts. The bill also would revise the formula for determining the additional discretionary interest credits for both types of accounts; and
- Revise the initial annuity interest rate credit of 6.0 percent at time of retirement to an interest rate equal to 2.0 percent less than the actuarial assumed investment rate of return, as established by the KPERS Board of Trustees upon the member's annuity start date.

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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 2533, as introduced, would have modified the calculation of interest credits, the minimum crediting rate, the method of determining discretionary interest credits, the initial annuity interest rate, and other provisions governing the distribution of a member's mandatory contributions for the KPERS tier 3 plan (known as a cash balance plan).

No proponent appeared at the hearing in support of the bill. A representative of the Kansas Coalition of Public Retirees opposed the bill. Neutral testimony was provided by a representative of the Kansas Promise Coalition and two members of the KPERS Board of Trustees.

The House Committee on Pensions and Benefits deleted provisions of the bill that would have amended statutes concerning the distribution of a member's mandatory contributions. The effect of deleting the provisions allows current law to remain unchanged.

The House Committee also amended the formula for calculating additional interest credits by moving the initial base year from 2016 to 2015 for both the annuity savings accounts and the retirement annuity accounts.

The fiscal note for the bill, as introduced, from the Interim Director of the Division of the Budget, using a KPERS actuarial cost study, estimated savings of $3.0 billion for the state and school groups' employer contributions, and savings of $1.0 billion for the local group's employer contributions. No change in employer contributions would occur in either FY 2014 or FY 2015 for the state and local groups, according to the fiscal note. The House Committee amendments should have no substantial impact on the initial actuarial cost study, according to the KPERS Executive Director, and no subsequent actuarial cost study would need to be undertaken.