

February 23, 2015

The Honorable Steven Johnson, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2250 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2250 is respectfully submitted to your committee.

HB 2250 provides for a one-time cost of living adjustment (COLA) beginning July 1, 2015, to KPERS members who retired on or before July 1, 2009. The COLA would be 0.5 percent for members who retired on or before July 1, 2009; 1.0 percent for members who retired on or before July 1, 2004; 1.5 percent for members who retired on or before July 1, 1999; 2.0 percent for members who retired on or before July 1, 1994; 2.5 percent for members who retired on or before July 1, 1989; and 3.0 percent for members who retired on or before July 1, 1984.

A cost study on HB 2250 was conducted by the KPERS consulting actuary. The results of that study indicate that passage of the bill would result in a total increase to the unfunded actuarial liability (UAL) for KPERS, KP&F, and the Judges system of \$65.3 million. Of the UAL total increase, \$48.0 million would be for the KPERS State/School group.

If the UAL increase is amortized over 15 years (with FY 2016 being the first year of the increase) the additional first-year contribution would total \$5.8 million for all systems. The employer contribution rates for the KPERS State/School group, KPERS Local, KP&F State, KP&F Local, and the Judges group would increase by 0.1 percent, 0.4 percent, 0.31 percent, 0.17 percent, and 0.2 percent, respectively. Based on the percentage of State General Fund resources budgeted for statewide salaries and wages in FY 2016, approximately \$2.7 million from the State General Fund could be required (excluding all local groups).

If the UAL increase is amortized over 18 years the additional first-year contribution would total \$5.1 million for all systems. The employer contribution rates for the KPERS State/School group, KPERS Local, KP&F State, KP&F Local, and the Judges group would increase by 0.08 percent, 0.3 percent, 0.27 percent, 0.15 percent, and 0.18 percent, respectively. Based on the percentage of State General Fund resources budgeted for statewide salaries and

The Honorable Steven Johnson, Chairperson
February 23, 2015
Page 2—HB 2250

wages in FY 2016, approximately \$2.3 million from the State General Fund could be required (again excluding all local groups).

KPERS anticipates that the bill would require changes to the agency's information system and mailing notices of the benefit increase to eligible retirees; however, no expenditure limitation increase on its operating budget would be needed. Any fiscal effect associated with HB 2250 is not reflected in *The FY 2016 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS