Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
Fax: (785) 296-0231
shawn.sullivan@budget.ks.gov

Shawn Sullivan, Director of the Budget

Sam Brownback, Governor

January 26, 2016

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 2489 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2489 is respectfully submitted to your committee.

HB 2489 would make technical amendments related to the KPERS 3 cash balance plan and the death and long-term disability benefits plan.

Under current law, when a member dies before retirement as a result of an on-the-job accident, the member's surviving spouse or dependents are entitled to a lump sum of $50,000 and an annual amount equal to half of the member's final average salary. However, the KPERS 3 plan does not use final average salary for the determination of benefits. HB 2489 would provide a death benefit for KPERS 3 members that is equal to 50.0 percent of their salary averaged over their final three years of employment.

KPERS 3 members who terminate covered employment prior to attaining normal retirement age and have completed at least ten years of service are eligible to receive an annuity based upon the employer credits and interest credits in the member's retirement annuity account. The interest rate for the annuity is currently 6.0 percent. HB 2489 would change the rate to equal the actuarial assumed investment rate of return minus 2.0 percent.

The 2015 Legislature, through Section 180 of Chapter 104 of the 2015 Session Laws of Kansas, placed a moratorium on contributions to the Group Insurance Reserve Fund for the last seven pay periods each for FY 2016 and FY 2017. The Group Insurance Reserve Fund finances the Death and Disability Program. HB 2489 would codify the provisions enacted last year through the appropriations process.

Because all of the amendments in HB 2489 are technical in nature, KPERS estimates that there would be no fiscal effect on the retirement system or administrative costs. As noted in the *FY 2016 Comparison Report*, last year it was estimated that the Death and Disability moratorium would produce State General Fund savings of approximately $11.3 million in FY 2016 and $11.5 million in FY 2017. This year, the fiscal effect of the moratorium is contained within the salaries and wages expenditures of each agency budget presented in *The FY 2017 Governor's Budget Report*.

Sincerely,

Shawn Sullivan,
Director of the Budget

cc: Faith Loretto, KPERS