

March 6, 2023

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 198 by Senator Pittman

In accordance with KSA 75-3715a, the following fiscal note concerning SB 198 is respectfully submitted to your committee.

Under current law, the KPERS, Kansas Police and Fireman's, and Judges retirement plans do not include a cost-of-living adjustment (COLA). SB 198 would provide a permanent, ad hoc COLA for certain retirees and would be structured to provide the following:

<u>Retirement Date Before</u>	<u>Ad Hoc COLA</u>
July 1, 2018	1.0%
July 1, 2015	2.0%
July 1, 2012	3.0%
July 1, 2009	4.0%
July 1, 2006	5.0%

The bill would cap the benefit from any COLA authorized with the bill at \$200 per month. In addition, the bill would authorize a COLA for KPERS members on long-term disability.

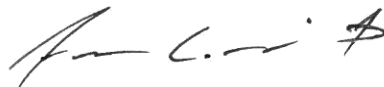
According to the KPERS actuary, the enactment of SB 198 would make 90,969 retirees and beneficiaries (or 82.3 percent of the 110,586 KPERS retirees and beneficiaries, as of the December 31, 2021, actuarial valuation) eligible for a COLA. The KPERS actuary completed a cost study of the COLA proposal and estimates the bill would increase the unfunded actuarial liability by \$353.5 million for all KPERS retirement plans under current actuarial assumptions. Although the bill does not specify the length of the amortization period to fund the COLA, the actuary assumed an amortization period of 15 years. The following table summarizes the actuarial cost analysis by group:

Estimated Fiscal Effect
Dollars in Millions

<u>KPERS Group</u>	<u>UAL Increase</u>	<u>Employer Contribution Rate Increase</u>	<u>Additional First Year Contribution</u>
State/School	\$254.4	0.42 %	\$22.6
KP&F—State	6.7	1.08 %	0.6
Judges	<u>2.5</u>	0.86 %	<u>0.3</u>
Subtotal—State	\$263.6		\$23.5
Local	48.3	0.21 %	4.3
KP&F—Local	<u>41.7</u>	0.86 %	<u>3.7</u>
Subtotal—Local	\$ 90.0		\$ 8.0
Total	\$353.6		\$31.5

The Division of the Budget notes that instead of amortizing the UAL over 15 years, the state could choose to fund its portion of the UAL increase with a lump-sum payment of \$263.6 million from the State General Fund to KPERS for the state groups in FY 2024. With this scenario, the state would not have an additional employer contribution rate increase associated with the COLA or additional first-year contributions, as shown in the above table. Any fiscal effect associated with SB 198 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS