

February 4, 2025

The Honorable Nick Hoheisel, Chairperson  
House Committee on Financial Institutions and Pensions  
300 SW 10th Avenue, Room 582-N  
Topeka, Kansas 66612

Dear Representative Hoheisel:

**SUBJECT:** Fiscal Note for HB 2130 by House Committee on Financial Institutions and Pension

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2130 is respectfully submitted to your committee.

Under current law, KPERS retirement and disability benefits are paid monthly. HB 2130 would allow KPERS benefits to be paid either on a biweekly or monthly basis at the election of a member or benefit recipient, beginning on July 1, 2026.

For administrative costs, KPERS reports that updating the pension administration system to support biweekly payments would require modifications to core processes that manage benefit payments. Implementing this change would involve development and testing to ensure accuracy and continued timeliness of payments. The agency estimates the timeline for the pension administration system updates is 12 months, with an anticipated cost of approximately \$800,000 in contractual services expenses with the pension administration system vendor. The agency notes that the bill does not allow for member elections until July 1, 2026, in which the system should be updated for the change if the bill is enacted.

Additionally, KPERS estimates that 3.00 FTE additional staff positions would be necessary to manage the increased payment cycles and to ensure accurate tracking of retiree elections. These positions would be responsible for overseeing the timely processing of biweekly payments and maintaining records of retiree election choices. The need for these positions is expected to begin in January 2026, with forecasted salaries and benefits totaling \$153,426 for the second half of FY 2026. For FY 2027, the full-year cost for the additional positions is estimated at \$265,768, all from the KPERS Trust Fund.

For actuarial costs, the KPERS actuary reports that paying benefits biweekly instead of at the end of the month would result in earlier payments than what is currently projected on a monthly basis. Essentially, funds would be withdrawn from the KPERS Trust Fund more quickly than under current actuarial assumptions. This change would increase the present value of the benefits because the payments are made sooner. As a result, the total actuarial liability increases, as the amount owed for benefits earned in the past also increases. Without a corresponding increase in assets to cover these liabilities, this would lead to a larger unfunded actuarial liability.

The actuarial cost impact of HB 2130 would be dependent on the percent of retirees and disabled members who would elect to receive their retirement benefits biweekly rather than monthly, which is difficult to estimate. The actuary calculated the cost of this proposed change under three different assumptions: (1) 50.0 percent of retirees and disabled members elect biweekly payments; (2) 75.0 percent of retirees and disabled members elect biweekly payments; and (3) 100.0 percent of retirees and disabled members elect biweekly payments. The following table illustrates the costs under these three scenarios:

<b>Unfunded Actuarial Liability Cost</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
State/School	\$ 19,300,000	\$ 26,500,000	\$ 36,100,000
State KP&F	400,000	500,000	700,000
Judges	200,000	200,000	300,000
<b>Total UAL</b>	<b>\$ 19,900,000</b>	<b>\$ 27,200,000</b>	<b>\$ 37,100,000</b>

<b>20-Year Amortization Rate Cost</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
State/School	0.03%	0.04%	0.05%
State KP&F	0.05%	0.07%	0.09%
Judges	0.06%	0.08%	0.11%

<b>Estimated FY 2026 Contribution Increase</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
State/School	\$ 2,000,000	\$ 2,500,000	\$ 3,200,000
State KP&F	40,000	50,000	70,000
Judges	20,000	30,000	40,000
<b>Total--State</b>	<b>\$ 2,060,000</b>	<b>\$ 2,580,000</b>	<b>\$ 3,310,000</b>

The KPERS actuary notes that the increase in the UAL could be funded through a one-time State General Fund appropriation; however, the actual UAL estimated increase cannot be estimated, as the actual number of members electing the biweekly benefit is not known. Any over or under payment made if the state would choose this option would be reflected in future employer

contribution rate. Any fiscal effect associated with HB 2130 is not reflected in *The FY 2026 Governor's Budget Report*.

In addition, the UAL for the KPERS Local Group and KPERS KP&F Local Group would be affected similarly to the state groups. The KPERS actuary has estimated the following costs for local employers:

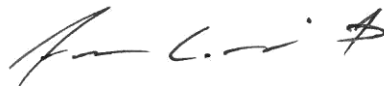
<b>Unfunded Actuarial Liability Cost</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
Local	\$ 5,800,000	\$ 7,900,000	\$ 10,800,000
Local K&F	<u>3,400,000</u>	<u>4,600,000</u>	<u>6,300,000</u>
<b>Total UAL</b>	<b>\$ 9,200,000</b>	<b>\$ 12,500,000</b>	<b>\$ 17,100,000</b>

<b>20-Year Amortization Rate Cost</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
Local	0.03%	0.03%	0.04%
Local K&F	0.05%	0.07%	0.09%

<b>Estimated FY 2026 Contribution Increase</b>			
	50.0% Elect	75.0% Elect	100.0% Elect
<u>Group</u>	<u>Biweekly</u>	<u>Biweekly</u>	<u>Biweekly</u>
Local	\$ 650,000	\$ 810,000	\$ 1,000,000
Local K&F	<u>310,000</u>	<u>470,000</u>	<u>610,000</u>
<b>Total--Locals</b>	<b>\$ 960,000</b>	<b>\$ 1,280,000</b>	<b>\$ 1,610,000</b>

KPERS notes that there is no mechanism for the approximately 1,400 local employers to fund the UAL cost increase from HB 2130 with a lump sum payment, unless the state would make the payment on behalf of the local employers. However, like the state groups, the actual UAL estimated increase cannot be estimated, as the actual number of members electing the biweekly benefit is not known.

Sincerely,



Adam C. Proffitt  
 Director of the Budget

cc: Jarod Waltner, KPERS