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Adam C. Proffitt, Director

Laura Kelly, Governor

February 11, 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 2194 by Representatives Howerton and Howell

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2194 is respectfully submitted to your committee.

HB 2194 would create a new exemption from the KPERS working after retirement employer contribution rate. The bill would exempt KPERS employer contributions for retirees employed as teachers in a school district in a position where a certificate to teach is required.

According to KPERS, the bill would require the agency's staff to update the pension administration system and make changes to existing publications; however, these costs would be negligible and could be performed by the current staff with no additional costs.

The KPERS actuary reports that the only information available to perform an analysis is for all School Group members working after retirement, not just teachers. Using data from the KPERS December 31, 2023 Actuarial Valuation, there were 3,097 members of the School Group who were working after retirement. The total amount of employer contributions for this group working after retirement in FY 2024 totaled $9.0 million.

If all members of this group were teachers, there would be a reduction of approximately $9.0 million per year in employer contributions. However, because not all the members of this group are teachers, the actuary estimates a reduction of employer contributions to KPERS of between $7.0 million and $9.0 million per year, beginning in FY 2026 with the enactment of the bill. These reduced contributions would reduce the market and actuarial values of assets and would increase the unfunded actuarial liability (UAL) of the retirement system.

The actuary notes that while the loss of between $7.0 million and $9.0 million per year would represent approximately 1.0 percent to 1.5 percent of annual employer contributions of this group each year, the annual loss of revenue would require additional future employer contributions to be paid from the amortization of the additional UAL. Any fiscal effect associated with HB 2194 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS