

January 24, 2012

The Honorable Mitch Holmes, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 166-W
Topeka, Kansas 66612

Dear Representative Mitch Holmes:

SUBJECT: Fiscal Note for HB 2460 by Joint Committee on Pensions, Investments
and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2460 is respectfully submitted to your committee.

HB 2460 would make two changes regarding the Kansas Public Employee Retirement System (KPERS) statutes. Under current law, a first-year employer affiliating with KPERS has a fixed 7.0 percent employer contribution rate. This first-year rate has historically been higher than the capped employer contribution rate. However, during calendar year 2012, the capped statutory employer contribution rate for local government agencies is 7.34 percent. HB 2460 would remove the fixed statutory rate of 7.0 percent for first-year employers and as a result, these newly affiliated first-year employers would pay the full contribution rate as required of other local government employers.

In addition, HB 2460 would permit all public employers to affiliate with KPERS for future service only. Under current law, Kansas Police and Firemen's (KP&F) employers have the option to affiliate with either "prior service or future service," or for "future service only," while KPERS employers must affiliate for both "prior and future service."

Enactment of HB 2460 would affect only non-state employers affiliating with KPERS and would have no fiscal effect for the state. For calendar year 2012, enactment of the bill would allow new local KPERS employers to pay the same employer contribution rate of 7.34 percent as other local KPERS employers. Without the bill, these new KPERS employers would pay a 7.0 percent contribution rate. According to KPERS, given the small number of new employers electing to affiliate with KPERS in recent years (25 new employers in FY 2009 through FY 2011), this change would bring a negligible increase in revenue to the retirement system (the difference between 7.0 percent and 7.34 percent).


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If local government agencies can choose to affiliate for “future service only,” the employers would be able to become participating employers without a liability for its employee’s prior service. This change may remove a disincentive for affiliation and reduce the new liabilities for prior service assumed by these employers and the retirement system. However, for employees whose employer affiliates for “future service only,” their KPERS benefits would not include any service with that employer prior to its affiliation, reducing the KEPRS benefits that would be available with “prior service.”

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget

cc: Faith Loretto, KPERS