

April 6, 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 2702 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2702 is respectfully submitted to your committee.

Under current law, the annual increase in the KPERS employer contribution rate for the State/School Group, as well as the Local Group, is limited to 0.6 percentage points each year. HB 2702 would eliminate this statutory cap, effective July 1, 2012. This changes the employer contribution rate to the “actuarially required contribution rate.”

Estimated State Fiscal Effect				
	FY 2012 SGF	FY 2012 All Funds	FY 2013 SGF	FY 2013 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$168,707,500	\$188,500,000
FTE Pos.	--	--	--	--

According to KPERS, enactment of HB 2702 would increase the KPERS State/School Group employer contributions each year from FY 2013 through FY 2021. However, from FY 2022 through FY 2034, employer contributions would then decrease. For FY 2013, additional KPERS State/School Group employer contributions would total \$188.5 million from all funding sources, including \$168.7 million from the State General Fund, as the State/School KPERS Employer contributions are funded approximately 89.5 percent from the State General Fund in the Governor’s FY 2013 budget recommendations. Additional contributions would peak in FY

2016 totaling \$227.2 million from all funding sources, including \$203.3 million from the State General Fund. However, beginning in FY 2022 and continuing through FY 2034, the State/School Group would experience employer contribution savings. The following table illustrates the estimated change in employer contributions through FY 2034:

Fiscal Year	State/School Employer Contribution		State/School Employer Contributions (in millions)		All Funds Difference	SGF Difference
	Current Law	HB 2702	Current Law	HB 2702		
2012	8.77%	8.77%	\$ 391.6	\$ 391.6	\$ --	\$ --
2013	9.37%	13.46%	431.9	620.4	188.5	168.7
2014	9.97%	13.83%	472.9	655.8	182.9	163.7
2015	10.57%	14.75%	516.8	721.3	204.5	183.0
2016	11.17%	15.67%	563.9	791.1	227.2	203.3
2017	11.77%	15.30%	614.1	798.4	184.3	164.9
2018	12.37%	14.98%	667.5	808.1	140.6	125.8
2019	12.97%	14.93%	724.5	833.8	109.3	97.8
2020	13.57%	14.82%	785.3	857.5	72.2	64.6
2021	14.17%	14.74%	850.1	884.5	34.4	30.8
2022	14.77%	14.67%	919.2	912.7	(6.5)	(5.8)
2023	15.37%	14.57%	992.7	941.3	(51.4)	(46.0)
2024	15.97%	14.48%	1,070.7	970.9	(99.8)	(89.3)
2025	16.57%	14.37%	1,153.6	1,000.8	(152.8)	(136.8)
2026	17.17%	14.27%	1,241.6	1,031.9	(209.7)	(187.7)
2027	17.77%	14.15%	1,335.0	1,063.4	(271.6)	(243.1)
2028	18.37%	14.03%	1,434.1	1,095.6	(338.5)	(303.0)
2029	18.97%	13.90%	1,539.2	1,127.7	(411.5)	(368.3)
2030	19.57%	13.75%	1,650.5	1,160.0	(490.5)	(439.0)
2031	20.02%	13.60%	1,754.8	1,192.0	(562.8)	(503.7)
2032	20.30%	13.40%	1,850.1	1,221.2	(628.9)	(562.9)
2033	20.57%	13.15%	1,949.6	1,246.5	(703.1)	(629.3)
2034	20.89%	12.77%	<u>2,058.1</u>	<u>1,258.1</u>	<u>(800.0)</u>	<u>(716.0)</u>
			\$ 24,967.8	\$ 21,584.6	\$ (3,383.2)	\$ (3,028.0)

The Local Group would experience a similar pattern in rates. KPERS estimates that enactment of the bill would increase KPERS Local Group employer contributions each year from FY 2013 through FY 2016. However, from FY 2017 through FY 2034, employer contributions would decrease. For FY 2013, additional KPERS State Group employer contributions would total \$25.7 million. Additional employer contributions would peak in FY 2014 totaling \$26.2 million. However, beginning in FY 2017 and continuing through FY 2034, the Local Group would experience employer contribution savings. Overall, through FY 2034,

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Local Group employer contributions would be reduced by \$143.8 million. Any fiscal effect associated with HB 2702 is not reflected in *The FY 2013 Governor's Budget Report*.

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