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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

February 25, 2013

The Honorable Steven Johnson, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 286-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2352 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2352 is respectfully submitted to your committee.

HB 2352 would make several amendments to the Kansas Police and Firemen's Retirement System. The bill would raise the cap on member retirement benefits from 80.0 percent of final average salary to 90.0 percent of final average salary. Under current law, members can reach the existing cap with 32 years of service. HB 2352 would require 36 years of service with the new cap.

The bill would also raise the employee contribution rate to 7.17 percent for all years of service. Currently, members pay 7.0 percent of compensation up to 32 years of service and 2.0 percent of compensation for every year of service after 32 years.

Any current member who has more than 32 years of service before July 1, 2013, would be permitted to pay a lump sum amount equal to the difference between actual contributions made at 2.0 percent of total compensation and 7.15 percent of total compensation, plus interest in an amount prescribed by the KPERS Board of Trustees. If the member makes the lump sum payment prior to or at the time of retirement, the years of service for which the member has contributed 2.0 percent would be included in calculating the member's retirement benefit. However, this would be subject to the 90.0 percent cap established under HB 2352.

According to KPERS, the increase to the contribution rate would result in additional revenue for the KPERS Trust Fund of approximately $1.2 million. Increasing the retirement benefit cap would also increase benefit payments to certain members. However, according to the KPERS actuary, it is expected that the additional member contributions would fund the benefit increases.

KPERS also estimates that there would be administrative costs related to information technology system updates for the purposes of reflecting the benefit changes. The agency anticipates that these costs can be accommodated within current resources. Any fiscal effect associated with HB 2352 is not reflected in *The FY 2014 Governor's Budget Report*.

Sincerely,

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

cc: Faith Loretto, KPERS