

February 12, 2014

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 2539 by House Committee on Pensions and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2539 is respectfully submitted to your committee.

HB 2539 provides for a one-time cost of living adjustment (COLA) beginning July 1, 2014, to members who retired on or before July 1, 2009. The percentage increases would be 0.5 percent for members who retired on or before July 1, 2009; 1.0 percent for members who retired on or before July 1, 2004; 1.5 percent for members who retired on or before July 1, 1999; 2.0 percent for members who retired on or before July 1, 1994; 2.5 percent for members who retired on or before July 1, 1989; and 3.0 percent for members who retired on or before July 1, 1984.

A cost study on HB 2539 was conducted by the KPERs consulting actuary. The results of that study indicate that passage of the bill would result in a total increase to the unfunded actuarial liability (UAL) for KPERs, KP&F, and the Judges system of \$70.0 million. As of the most recent valuation of the retirement system, the total UAL is \$10.3 billion. Of the total liability, \$51.4 million would be for the KPERs State/School group. The amortization period for the existing unfunded actuarial liability extends to FY 2033 or 19 years remaining. The UAL increase from HB 2539 would be amortized over those remaining 19 years with FY 2015 being the first year in which employer contribution rates would increase. The employer contribution rates for the KPERs State/School group, KPERs Local, KP&F State, KP&F Local, and the Judges group would increase by 0.9 percentage points, 0.4 percentage points, 0.26 percentage points, 0.15 percentage points, and 0.19 percentage points, respectively. Likewise, it is estimated that employer contributions would increase by a total of \$5.73 million for all retirement groups in FY 2015 (\$3.87 million for the KPERs State/School group). Based on the percentage of State General Fund resources budgeted for statewide salaries and wages in FY 2015, approximately \$1.75 million from the State General Fund could be required (excluding all local groups).

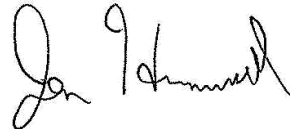
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KPERS anticipates that the bill would require changes to the agency's information system and mailing notices of the benefit increase to eligible retirees; however, no expenditure limitation increase on its operating budget would be needed. Any fiscal effect associated with HB 2539 is not reflected in *The FY 2015 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Jon Hummell". The signature is written in a cursive style with a large initial "J" and "H".

Jon Hummell,
Interim Director of the Budget

cc: Faith Loretto, KPERS