

MEMORANDUM

To: House Committee on Pensions and Benefits

From: Alan D. Conroy, Executive Director *ADC.*

Date: February 3, 2016

Subject: HB 2488 Background Information

Current benefit provisions provide for a \$4,000 benefit paid to a retirant's beneficiary upon his or her death. The statutory changes contained in HB 2488 would allow for a retirant's beneficiary to receive two \$4,000 death benefits when the retirant is vested in more than one plan (KPERS, KP&F, and Judges).

Population

KPERS consulting actuary did an analysis on the number of active, inactive and retired members who would be affected by the changes proposed in HB 2488 as of the 12/31/2014 actuarial valuation. The total number of affected members is 1,540 out of more than 295,000 members. This includes 1,331 with KPERS and KP&F membership, 206 with KPERS and Judges membership, and 3 with KP&F and Judges membership.

Cost Impact

KPERS' consulting actuary also completed an estimate of the impact to KPERS' unfunded actuarial liability of the changes contained in HB 2488. For the existing 1,540 members, HB 2488 is estimated to increase the unfunded actuarial liability by \$656,938, or less than 0.01% of the current \$8.7 billion UAL for the KPERS group. For KP&F, the increase in the unfunded actuarial liability is \$607,163, or 0.08% of the UAL of \$726 million. For Judges, the liability increased by \$132,450, which is 1.25% of the current UAL of \$10.6 million. The estimated increase in the unfunded actuarial liability amortization rate would be 0 basis points for KPERS, 1 basis point for KP&F, and 3 basis points for Judges.

The actuary also estimated the cost of future members using the same proportion of current members eligible for two death benefits and projecting forward. This results in a net impact to KPERS of less than 0.0005% in the actuarially required contribution rate, for KP&F it is 0.001%, and for Judges it is 0.008%.

Combining the present and future cost estimates, the approximate total cost in terms of the actuarial required contribution rate would be 0.00% for KPERS, 0.01% for KP&F, and 0.04% for Judges.

Any administrative costs incurred by KPERS due to the changes contained in HB 2488 can be funded from within existing resources.

I would be glad to answer any questions or provide additional information that the Committee may need in considering this legislation.

