

MEMORANDUM

To: House Pensions and Benefits Committee
From: Alan D. Conroy, Executive Director ^{ADC}
Date: March 9, 2016
Subject: HB 2709 Background Information

Current Statutes

Currently, if a member dies due to service-connected causes, the surviving spouse is entitled to 50% of the final average salary at the time of the member's death. In addition, any surviving dependent children are entitled to 10% of the member's final average salary for each child. However, the total benefit cannot exceed 75% of the final average salary.

Over the past 5 years there have been approximately 2-3 occurrences of service connected deaths annually.

Proposed Changes

Under HB 2709, the surviving spouse benefit would be the greater of 50% of the member's final average salary or the amount that the member's retirement benefit would have been had the member elected to retire on the 1st of the month following the date of death and elected the joint and 100% survivor benefit option.

There is no change to the benefits of the surviving children. HB 2709 increases the total cap on benefits to 90% of final average salary.

Projected Costs

The actuary did an analysis on the potential change to the unfunded actuarial liability if HB 2709 were to become law. Based on the actual service-connected death experience of the System, the actuary estimated that the changes proposed in HB 2709 would increase the KP&F unfunded actuarial liability by \$605,000 resulting in a 0.01% increase in the UAL portion of the employer contribution rate. In addition, the normal cost of benefits would also increase by 0.01% for a total increase in the employer contribution rate of 0.02%. This increase in the employer contribution rate would result in additional revenue to the Trust Fund. However, the impact of 0.02% on just the KP&F employer contribution would be a very small change in revenues of less than \$50,000.

HB 2709 would require some upgrades to existing information technology systems. However the upgrades would not require significant changes and can be absorbed within existing resources.

I would be happy to respond to any questions the Committee may have.

