

STATE OF KANSAS

DIVISION OF THE BUDGET
LONDON STATE OFFICE BUILDING
900 SW JACKSON STREET, ROOM 504
TOPEKA, KS 66612



PHONE: (785) 296-2436
FAX: (785) 296-0231
larry.campbell@ks.gov
<http://budget.kansas.gov>

GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

April 2, 2018

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions & Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2624 by Representative Jones

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2624 is respectfully submitted to your committee.

Under current law, compensation for legislators is annualized for purposes of calculating contributions and benefits under the Kansas Public Employees Retirement System (KPERS). Legislators can also elect the portions of compensation they wish to include in their compensation. Legislators and the employer make contributions to KPERS based on the full annualized amount of compensation elected by the legislator.

HB 2624 would limit compensation for legislators to only the amount of compensation actually received each year. The limitation would apply to all compensation received for service on and after January 11, 2021. Any contributions made by members of the Legislature prior to January 11, 2021, that are based on annualized compensation would be adjusted based on actual compensation. Employee contributions that are paid based on compensation above the actual received amount would be refunded to the legislator.

Using CY 2018 compensation data, KPERS estimates the amount of refunded member contributions could total approximately \$3.5 million from the KPERS Trust Fund. The refund would effectively reduce member benefits that had accrued based on annualized compensation. Legislators are members of the KPERS State/School Group. It is estimated that the bill would reduce the unfunded actuarial liability (UAL) of the KPERS State/School Group by \$10.5 million. With the refund of \$3.5 million, the net reduction of the KPERS State/School Group UAL is estimated to be approximately \$7.0 million. The current UAL for the KPERS State/School Group is \$6.7 billion.

The Honorable Jim Kelly, Chairperson

April 2, 2018

Page 2—HB 2624

While the bill might result in a small reduction to the dollar amount of the KPERS State/School UAL, the actuarial required contribution rate could increase slightly in FY 2020 because of the reduction in total payroll from eliminating the annualized compensation amount for legislators. The bill would not affect current statutory rates. Any fiscal effect associated with HB 2624 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Chief Budget Officer

cc: Jarod Waltner, KPERS