

March 20, 2017

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 227 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 227 is respectfully submitted to your committee.

SB 227 would provide a cost of living adjustment (COLA) beginning July 1, 2017, for certain retirees who have been retired at least five years. The COLA would be applicable to all Kansas Public Employee Retirement System (KPERS) groups. The structure of the COLA would be the following: retirees who retired on or before July 1, 2012, would receive a 1.0 percent increase; retirees who retired on or before July 1, 2007, would receive a 2.0 percent increase; and, retirees who retired on or before July 1, 2002, would receive a 3.0 percent increase. However, any increase in the monthly benefit from the COLA could not exceed \$150.

Estimated State Fiscal Effect				
	FY 2018 SGF	FY 2018 All Funds	FY 2019 SGF	FY 2019 All Funds
Revenue	\$4,929,577	\$15,310,000	\$5,037,671	\$15,770,000
Expenditure	\$4,929,577	\$11,710,000	\$5,037,671	\$12,060,000
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According to KPERS, it is estimated that SB 227 would increase the total unfunded actuarial liability (UAL) for all groups (including KPERS Local and KP&F Local) by \$164.0 million. While the bill does not specify the length of the amortization period to fund the cost of living adjustment, KPERS' consulting actuary assumed amortizing the increase to the UAL over 15 years. Under a 15-year amortization period, it is estimated that the bill would cost \$15.31 million in FY 2018 and \$15.77 million in FY 2019 for all groups. When local groups are excluded, the state's portion of the costs would be \$11.71 million in FY 2018 and \$12.06 million

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in FY 2019 from all funds. Based on information contained in the *FY 2018 Governors Budget Report*, it is estimated that approximately 42.0 percent of the FY 2018 and FY 2019 expenditures for state agency aggregate salaries and wages plus state expenditures for school districts' KPERS costs are from the State General Fund. If this percentage is used to estimate the approximate fiscal effect to the State General Fund, it is estimated that \$4.93 million and \$5.04 million would be needed from the State General Fund in FY 2018 and FY 2019, respectively.

SB 227 would also require contribution rate increases for all plans (including KPERS Local and KP&F Local) resulting in additional revenue to the KPERS Trust Fund. In particular, the KPERS State/School Group employer contribution rate would increase to 0.25 percent.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget