

February 6, 2019

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator McGinn:

SUBJECT: Fiscal Note for SB 74 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 74 is respectfully submitted to your committee.

SB 74 would provide a cost of living adjustment (COLA) beginning July 1, 2019, 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, 2014, would receive a 1.0 percent increase; retirees who retired on or before July 1, 2009, would receive a 2.0 percent increase; and, retirees who retired on or before July 1, 2004, 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 2019 SGF	FY 2019 All Funds	FY 2020 SGF	FY 2020 All Funds
Revenue	--	--	--	\$17,310,000
Expenditure	--	--	\$10,730,000	\$13,140,000
FTE Pos.	--	--	--	--

According to KPERS, it is estimated that SB 74 would increase the total unfunded actuarial liability (UAL) for all groups (including KPERS Local and KP&F Local groups) by \$185.7 million. While the bill does not specify the length of the amortization period to fund the COLA, 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 require additional employer

contributions from all groups totaling \$17.3 million in FY 2020. When local groups are excluded, the state's portion of the cost would be \$13.1 million in FY 2020. Based on information from the *FY 2020 Governor's Budget Report*, the Division of the Budget estimates that approximately 82.0 percent of FY 2020 expenditures for state and school district employer contributions 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 \$10.7 million would be needed from the State General Fund in FY 2020.

The additional employer contributions to pay for the COLA would result in \$17.3 million being remitted to the KPERS Trust Fund. Any fiscal effect associated with SB 74 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. L. Campbell". The signature is fluid and cursive, with a large initial "L" and a long, sweeping underline.

Larry L. Campbell
Director of the Budget

cc: Jarod Waltner, KPERS