

February 14, 2023

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 172 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 172 is respectfully submitted to your committee.

Under current law and upon the death of a KPERS retiree, a KPERS retiree's beneficiary (or a funeral establishment, as directed by the retiree) is paid a lump-sum death benefit of \$4,000, less any amounts payable for funeral benefits under the Kansas Police and Fireman's (KP&F) retirement system. SB 172 would increase this lump-sum benefit to \$6,000.

The KPERS actuary reports that increasing the retiree death benefit would increase the unfunded actuarial liability by \$78.3 million for the State/School Group. This actuarial cost could be funded up front with a one-time payment of \$78.3 million to KPERS or funded with a 20-year amortization schedule. The Division of the Budget notes that if the lump-sum option would occur, the State General Fund would be the likely funding source for this payment. If amortized, the employer contribution for the State/School Group would be expected to increase by 0.13 percent for 20 years, with additional first-year contributions (FY 2024) from the state totaling \$6.8 million from all funding sources. The Division of the Budget notes that historically, approximately 85.0 percent of the State/School Group employer contributions have been financed from the State General Fund, with the remaining 15.0 percent being funded from special revenue funds. Using this estimate, State General Fund expenditures would increase by \$5.7 million in FY 2024.

KPERS has provided the following table regarding the fiscal effect on the various KPERS groups:

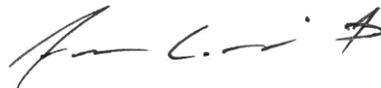
Estimated Fiscal Effect--SB 172

Dollars in Millions

	Estimated Increase <u>in UAL</u>	Contribution Rate <u>Increase</u>	Additional First-Year <u>Contributions</u>	Additional Second-Year <u>Contributions</u>
<u>KPERS Group</u>				
State/School	\$ 78.30	0.13%	\$ 6.76	\$ 6.96
KP&F--State	0.60	0.09%	0.05	0.05
Judges	<u>0.30</u>	0.10%	<u>0.03</u>	<u>0.03</u>
Subtotal--State Groups	\$ 79.20		\$ 6.84	\$ 7.04
Local	\$ 25.30	0.11%	\$ 2.24	\$ 2.31
KP&F--Local	<u>3.80</u>	0.06%	<u>0.33</u>	<u>0.34</u>
Subtotal--Local Groups	\$ 29.10		\$ 2.57	\$ 2.65
Total	\$ 108.30		\$ 9.41	\$ 9.69

Enactment of the bill would require changes to agency publications and educational efforts to inform members of the change. In addition, changes to the agency’s information technology system would be required. However, the cost of the additional administrative effort and information technology changes would be negligible and could be accomplished within existing budget resources. Any fiscal effect associated with SB 172 is not reflected in *The FY 2024 Governor’s Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS