

UPDATED
SESSION OF 2024

SUPPLEMENTAL NOTE ON SENATE BILL NO. 172

As Recommended by Senate Committee on
Ways and Means

Brief*

SB 172 would increase the lump-sum death benefit for a Kansas Public Employees Retirement System (KPERs) retiree from \$4,000 to \$6,000, beginning on July 1, 2024.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator McGinn.

[*Note:* Under current law, upon the death of a KPERs retiree, the retiree's beneficiary or a funeral establishment selected by the retiree is paid a lump-sum death benefit of \$4,000. This amount has remained unchanged since 1993.]

Senate Committee on Ways and Means

In the Senate Committee hearing on February 15, 2023, Senator McGinn testified as a **proponent**, stating the current death benefit amount has remained unchanged for 30 years. Additionally, Senator McGinn indicated the minimum cost for cremations and burials currently averages around \$7,000 and \$11,000 respectively.

Representatives from the Kansas Coalition of Public Retirees, Kansas Funeral Directors Association (KFDA), and

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Kansas National Education Association also provided proponent testimony, generally emphasizing the last increase in death benefits occurred in 1993. Additionally, the KFDA representative indicated the national median cost of an adult funeral with viewing and burial for calendar year 2021 was \$7,848.

The Executive Director of KPERS provided neutral information, indicating there are approximately 4,000 KPERS retiree deaths each year, and the cost of paying those benefits totals about \$14.0 million per year. Speaking to actuarial costs, the Executive Director explained the bill would increase the KPERS unfunded actuarial liability (UAL), which could be offset by a one-time appropriation or amortized over a 20-year period.

On January 9, 2024, the bill was withdrawn from the Senate Calendar and re-referred to the Senate Committee on Ways and Means. Following discussion on January 30, 2024, the Senate Committee again recommended the bill be passed.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, the KPERS actuary indicates the bill would increase the total UAL by approximately \$108.2 million, including \$78.3 million for the State/School Group. This actuarial cost could be funded with either a one-time payment of \$78.3 million or amortized over a 20-year period. If amortized, the employer contribution for the State/School Group would increase by about 0.13 percent, totaling about \$6.8 million in additional contributions for FY 2024.

SB 172–Estimated Fiscal Effect			
(Dollars in Millions)			
KPERS Group	UAL Est. Increase	Additional Contributions	
		FY 2024	FY 2025
State/School	\$ 78.30	\$ 6.76	\$ 6.96
KP&F–State	0.60	0.05	0.05
Judges	0.30	0.03	0.03
<i>Subtotal–State</i>	<i>\$ 79.20</i>	<i>\$ 6.84</i>	<i>\$ 7.04</i>
Local	\$ 25.30	\$ 2.24	\$ 2.31
KP&F–Local	3.80	0.33	0.34
<i>Subtotal–Local</i>	<i>\$ 29.10</i>	<i>\$ 2.57</i>	<i>\$ 2.65</i>
TOTAL	\$ 108.30	\$ 9.41	\$ 9.69

In addition to increases in the UAL, the bill would also increase normal cost rates because the proposed change in law increases benefits for current and future active members. For the State/School Group, the normal cost rate increase totals 0.02 percent, or approximately \$900,000, in FY 2024.

In the Senate Committee meeting on January 30, 2024, the Executive Director of KPERS noted the fiscal effect of the bill remains similar to estimates provided in the original fiscal note.

Any fiscal effect associated with the bill is not reflected in *The FY 2025 Governor’s Budget Report*.

KPERS; pensions; lump-sum death benefit