

March 23, 2011

The Honorable Mitch Holmes, Chairperson
House Committee on Pensions and Benefits
Statehouse, Room 166-W
Topeka, Kansas 66612

Dear Representative Mitch Holmes:

SUBJECT: Fiscal Note for HB 2333, as amended by House Committee on Pensions and Benefits

In accordance with your request, the following fiscal note concerning HB 2333, as amended, is respectfully submitted.

HB 2333, as substituted by the House Committee on Pensions and Benefits, would revise the retirement plan administered by the Kansas Public Employees Retirement System (KPERS). The bill would not apply to the Kansas Police and Firemen's (KP&F) Retirement Plan or to the retirement system for judges.

First, the bill would reduce the annual KPERS benefit multiplier from 1.75 percent to 1.4 percent for future service credit, beginning July 1, 2012, for all current and future public employees working for state, school and local public employers. Second, the bill would increase the cap on annual KPERS employer contributions from 0.6 percent to 0.8 percent on July 1, 2012, for state, school and local public employers. Finally, the bill would direct that any net proceeds from the sale of state real property to be transferred to KPERS for the purpose of reducing the unfunded actuarial liability of the state and school groups.

As substituted by the House Committee on Pensions and Benefits, KPERS estimates the cost to increase the cap on annual KPERS employer contributions from 0.6 percent to 0.8 percent at \$9.4 million from all funding sources in FY 2013, including \$8.0 million from the State General Fund. The agency estimates the cost for local governments in FY 2013 would be approximately \$3.7 million.

The overall fiscal effect on the KPERS system, including the additional employer contributions and the reduction of future member service credits, would reduce the actuarially required State/School Group contribution rate to 15.60 percent in FY 2021. Currently, the State-School Group statutory employer contribution rate does not meet the actuarially required contribution rate by the end of the amortization period by FY 2033. The current statutory

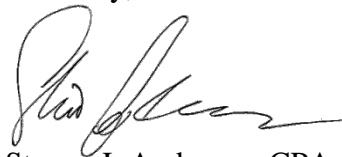
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contribution rate at that time is projected to be 21.37 percent. Further, KPERS estimates that total combined State-School Group employer contributions is projected to be reduced from \$23,048.8 million to \$19.324.3 million from FY 2011 through FY 2033, with enactment of substitute for HB 2333. This would be a savings of \$3,724.5 million, from all funding sources. At this time, there is not an estimate of the individual State and School Groups. However, a significant portion of the overall savings would be from the State General Fund.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

Steven J. Anderson, CPA, MBA
Director of the Budget