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Steven J. Anderson, CPA, MBA, Director

Sam Brownback, Governor

May 2, 2012

The Honorable Stephen Morris, Chairperson
Senate Committee on KPERS Select
Statehouse, Room 333-E
Topeka, Kansas 66612

Dear Senator Morris:

SUBJECT: Fiscal Note for SB 466 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 466 is respectfully submitted to your committee.

SB 466 would entitle one member of the KP&F retirement system 8.25 years of service credit for employment while as a university police officer at the University of Kansas. The individual was born on September 13, 1958, became a member of the KP&F retirement system on July 1, 1989, and was first employed as a police officer with the University of Kansas from July 18, 1980, to July 1, 1989.

According to KPERS, enactment of SB 466 would give a single member additional service credit without funding the associated liability. Although the effect of granting prior service to one member is not material in terms of a measurable increase in the KP&F unfunded actuarial liability or employer contribution rates, it would increase the benefit for that individual without a mechanism to fund the liability for the benefit.

With the additional 8.25 years of KP&F service credit, the member would be eligible to retire with full benefits 15 months earlier than without the additional years of service, and the member's retirement benefit would increase by 28.0 percent. KPERS notes alternatively, the member is eligible to repurchase the 8.25 years of service as forfeited KPERS service. However, the member is not eligible to purchase that period of service for KP&F credit. Repurchasing the 8.25 years of KPERS service would cost the member about $57,600. With the additional 8.25 years of KPERS service, the member would be eligible to retire with full benefits 15 months earlier, which would be the same time frame as with SB 466. With the purchase of forfeited KPERS service, the member would then receive a combined benefit from both KP&F and KPERS. The combined KP&F/KPERS benefit would be about 8.0 percent lower than the benefit provided by the enactment of SB 466.

In addition, KPERS notes the costs to the retirement system associated with the higher benefit level and earlier retirement eligibility provided to the member by SB 466 would not be offset by any additional employer or employee contributions or service purchase payments. Any fiscal effect associated with SB 466 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

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

cc: Faith Loretto, KPERS