

## MEMORANDUM

To: Senate Financial Institutions and Insurance

From: Alan D. Conroy, Executive Director

Date: March 15, 2022

Subject: HB 2481; KP&F Service Purchase

### **KP&F Service Credit**

For KP&F members, credited service is one factor used in the formula for calculating retirement benefits (credited service X final average salary X 2.5%). For each quarter of a year a member works, they are credited with one quarter of service time.

In addition to service credit earned through active employment, KP&F members have the option to purchase certain military service time to be credited as KP&F service (K.S.A. 74-4965a). Military service time is currently the only type of service than can be purchased by KP&F members.

### **Service Purchase in HB 2481**

HB 2481 allows KP&F members to purchase in-state, nonfederal governmental employment that otherwise meets the requirements of an employee in the KP&F statutes (K.S.A. 74-4952) as service time in KP&F.

A member cannot purchase service that is already credited as service time in another pension plan (i.e., the member must have withdrawn contributions related to the service from the previous plan to be eligible to purchase the service in KP&F).

### **Service Purchase Calculation**

Each member who applies for the service purchase and provides the necessary proof of such service and is determined to be eligible may elect to purchase the service in one of two ways:

1. A single, lump-sum payment; or
2. An additional payroll deduction.

If the member chooses to purchase service via a payroll deduction, they will have an additional contribution deducted from their paycheck for each quarter that is purchased (e.g., the purchase of four quarters would result in an extra deduction for four quarters).

The cost of the service is calculated actuarially and is based on the member's age and salary at the time of the purchase, the number of years being purchased, as well as



actuarial assumptions and tables in place at the time of the service purchase (e.g., mortality tables, investment return assumption). There is no additional employer contribution for member service purchases.

**Actuarial Costs**

HB 2481 specifies that the service purchase will be calculated using actuarial assumptions and tables. Because the service purchase will be for the amount of the actuarial value of the service, there is no actuarial cost expected if HB 2481 becomes law.

**Administrative Costs**

Making another type of service time eligible for purchase would require some administrative work to update educational materials and to program the pension administration system. However, this can be accomplished within the existing appropriation.

**House Action**

HB 2481 was not amended during the Committee work or during general orders debate on the House floor. HB 2481 ultimately passed by the House on February 23 with a final action vote of 121-0.

I would be pleased to answer any questions the Committee has regarding HB 2481.