

## MEMORANDUM

To: House Committee on Pensions and Benefits

From: Alan D. Conroy, Executive Director

Date: February 13, 2017

Subject: HB 2266 Background Information

Current benefit provisions provide for a \$4,000 benefit paid to a retirant's beneficiary upon his or her death. The statutory changes contained in HB 2266 would allow for a retirant's beneficiary to receive two \$4,000 death benefits when the retirant is vested in more than one plan (KPERS, KP&F, and Judges).

### **Cost Impact**

The statutory change proposed in HB 2266 was considered during the 2016 legislative session in 2016 HB 2488. KPERS' consulting actuary, Cavanaugh Macdonald, provided an actuarial cost study for 2016 HB 2488. Cavanaugh Macdonald has indicated that the results of that study can be relied upon again this year as a reasonable estimate of the cost of the provisions of HB 2266.

For the 2016 HB 2488 cost study, KPERS' consulting actuary analyzed the number of KPERS members retired from multiple KPERS plans and active members who would be eligible for two death benefits. Based on data from the December 31, 2014, valuation, the total number of members and retirees currently eligible for two death benefits was 1,540 out of 295,000 members of plans administered by KPERS.

Using those totals, the actuary estimated the impact to KPERS' unfunded actuarial liability. For KPERS, HB 2266 is estimated to increase the unfunded actuarial liability by \$656,938, or less than 0.01% of the \$8.7 billion unfunded actuarial liability, based on the December 31, 2014, valuation. For KP&F, the increase in the actuarial liability would be \$607,163, or 0.08% of the unfunded actuarial liability of \$726 million at the same point in time. For Judges, the liability would be expected to increase by \$132,450, which is 1.25% of the 12/31/2014 unfunded actuarial liability of \$10.6 million. Cavanaugh Macdonald estimated the increase in the unfunded actuarial liability amortization rate would be 0 for KPERS, 1 basis point for KP&F, and 3 basis points for Judges.

The actuary also estimated the cost of future members using the same proportion of current members eligible for two death benefits. This results in a net impact to KPERS of less than 0.0005% in the employer normal cost rate, for KP&F it is 0.001%, and for Judges it is 0.008%. Combined with the unfunded actuarial liability change noted above, the approximate total cost in terms of the actuarial required contribution rate would be 0.00% for KPERS, 0.01% for KP&F, and 0.04% for Judges.

I would be glad to answer any questions or provide additional information that the Committee may need in considering this legislation.

