

MEMORANDUM

To: Senate Financial Institutions and Insurance

From: Alan D. Conroy, ^{A.D.C.} Executive Director

Date: February 12, 2020

Subject: SB 200; Increasing Kansas Policemen and Firemen's (KP&F) benefits cap

SB 200 makes three changes to the Kansas Police and Firemen's Retirement System:

1. Raises the cap on member retirement benefits from 90% of Final Average Salary to 95% of Final Average Salary. Members reach the existing cap of 90% of Final Average Salary with 36 years of service, while 38 years of service would be required to reach a 95% cap.
2. Lowers the employee contribution rate from 7.15% to 2% when a member reaches the benefit cap (years of service above 38 years). Currently, members pay 7.15% for all years of service.
3. Allows current members who have contributed 7.15% for years above the current 90% benefit cap (36 years of service) to be refunded the difference in contributions that would have been made if contributions had dropped to 2% when they reached the cap. Alternatively, if the member retired after July 1, 2018 the retirees benefit will be calculated using the increased 95% cap and applied retroactively.

Benefit Cap History

KP&F has had a cap on benefits since the creation of the plan by the 1965 Legislature. The initial cap on benefits was 66%, which at the time was equal to 33 years of service. The cap and benefit multiplier have changed over the years and are summarized in the following table:

Year	Benefit Cap (% of final average salary)	Multiplier	Years of service to reach benefit cap
1965	66%	2.0%	33
1979	70%	2.0%	35
1993	80%	2.5%	32
2013	90%	2.5%	36

The most recent change to the benefit cap was passed by the 2013 Legislature. The 2013 legislation (2013 HB 2352) adjusted the employee contribution rate from 7% for the first 32 years of service and 2% thereafter to 7.15% for all years of service. Increasing the employee contribution rates was designed to keep the benefit change cost neutral to KP&F employers.

Potential Impact

In the latest valuation (12/31/2018) 7 out of 7,695 active members (0.09%) had reached 36 years of service. It is possible that increasing the maximum benefit to 95% of final average salary could motivate certain KP&F members to retire later. However, due to the small number of members that could be affected, the funding impact is expected to be very small.

I would be pleased to respond to any questions the Committee may have.

Senate FI&I Committee

DATE: 2-22-20

ATTACHMENT: 1