

February 19, 2019

The Honorable Jim Kelly, Chairperson  
House Committee on Financial Institutions and Pensions  
Statehouse, Room 581-W  
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2327 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2327 is respectfully submitted to your committee.

Under current law, a Kansas Police and Firemen's Retirement System (KP&F) member's retirement benefit cannot exceed 90.0 percent of the member's final average salary. HB 2327 would increase the cap on benefits to 95.0 percent of the member's final average salary.

Currently, the KP&F employee contribution rate is 7.15 percent. HB 2327 would reduce the employee contribution rate to 2.0 percent for members who reach 38 years of service. Members who contributed 7.15 percent between July 1, 2013 and July 1, 2019 would receive a refund of the difference in contributions between 2.0 percent and 7.15 percent. Members who retired after July 1, 2018 and contributed 7.15 percent after reaching 38 years of service would have his or her benefit recalculated based on the 95.0 percent cap.

KPERS indicates that the bill would change the benefit plan design for KP&F members, which would result in a higher cost to fully fund benefits. The cost increases would be funded by increases to KP&F employer contributions. KPERS estimates that the bill would increase the KP&F unfunded actuarial liability by \$2.2 million. The increase in benefits plus the increase in the KP&F unfunded actuarial liability would increase the KP&F contribution rate by 0.05 percentage points. HB 2327 would require additional contributions from both state and local KP&F employers totaling approximately \$254,000. The additional employer contributions would begin in FY 2020 for state KP&F employers and in CY 2020 for local KP&F employers.

KPERS estimates the bill could be implemented within existing operating expenditures. Any fiscal effect associated with HB 2327 is not reflected in *The FY 2020 Governor's Budget Report*.

Sincerely,



Larry L. Campbell  
Director of the Budget

cc: Jarod Waltner, KPERS