



March 3, 2025

The Honorable Adam Smith, Chairperson
House Committee on Taxation
300 SW 10th Avenue, Room 346-S
Topeka, Kansas 66612

Dear Representative Smith:

SUBJECT: Fiscal Note for HB 2380 by House Committee on Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2380 is respectfully submitted to your committee.

HB 2380 would provide a cost of living adjustment (COLA) for KPERS retirees who are 85 years of age or older on July 1, 2025. The bill would provide a \$150 per month increase to the retirement benefit, pension, or annuity that is in effect on July 1, 2025.

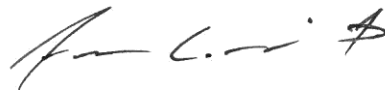
KPERS indicates that the bill would have 14,617 KPERS retirees and beneficiaries receive a COLA benefit with the enactment of HB 2380. The agency would have to develop and test its computer systems to ensure the accurate calculation of benefits that would be provided by the bill; however, these additional administrative requirements would be accomplished with its existing staff and would have no additional costs beyond the normal salaries and wages costs for these staff members.

The KPERS actuary estimates that to provide the COLA benefit, the total present value cost to the KPERS State/School Group would be \$74.7 million, including \$73.7 million for the State/School Group, and \$500,000 each for the State KP&F Group and Judges Group. For all state groups, the total number of retirees that would experience the COLA benefit would be 11,250. If the total cost for all state groups would be paid with a State General Fund appropriation during the 2025 Legislative Session, no further payments would be required for the benefit enhancement. However, if the bill would be enacted without an additional appropriation, the actuary would have the cost amortized through additional employer costs over five years, with the following rate increases beginning in FY 2026: State/School Group—0.28 percent, at a cost of \$16.5 million from all funding sources; State KP&F Group—0.15 percent, at a cost of \$120,000; and Judges

Group—0.30 percent at a cost of \$110,000. The total estimated first-year employer contributions in FY 2026 would total \$16.7 million from all funding sources, including \$14.2 million from the State General Fund. The Division of the Budget estimates the cost to the State General Fund utilizing an estimated 85.0 percent of the total state employers are funded from the State General Fund. Beginning with FY 2031, the increased liability would be fully amortized and the additional employer contributions for this benefit would be eliminated. Any fiscal effect associated with HB 2380 is not reflected in *The FY 2026 Governor's Budget Report*.

For local employers, the bill would cost approximately \$19.2 million, including \$17.0 million for the Local Group and \$2.2 million for the Local KP&F Group. Because local employers do not have the option to pay a benefit enhancement cost in a lump sum, the same five-year actuarial amortization schedule would be used to pay for the cost through additional local employer contributions. Beginning in calendar year 2026, the Local Group employer contributions would increase by 0.16 percent at a cost of \$3.79 million and 0.07 percent for the Local KP&F Group at a cost of \$480,000. The total number of local KPERS retirees that would experience the COLA benefit would be 3,367. Beginning January 1, 2031, the increased liability would be fully amortized and the additional employer contributions for this benefit would be eliminated.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam C. Proffitt", followed by a stylized flourish or symbol.

Adam C. Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS