

February 16, 2011

The Honorable Mitch Holmes, Chairperson  
House Committee on Pensions and Benefits  
Statehouse, Room 166-W  
Topeka, Kansas 66612

Dear Representative Mitch Holmes:

**SUBJECT:** Fiscal Note for HB 2263 by Representative Burgess

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2263 is respectfully submitted to your committee.

Under current law, Kansas Police and Firemen's Retirement System (KP&F) members are allowed to earn a maximum retirement equal to 80.0 percent of their final average salary. With the statutory 2.5 percent multiplier used in calculating KP&F benefits, the 80.0 percent maximum benefit is reached with 32 years of service credit. After the 32-year mark, a member's contribution rate drops from 7.0 percent to 2.0 percent. HB 2263 would eliminate the cap on the maximum benefit, effective July 1, 2011. Beginning with that date, KP&F members would be required to pay the 7.0 percent contribution rate for all years of service.

For those members who have reached 32 years of service and have begun paying a 2.0 percent contribution rate before July 1, 2011, the members would be eligible to make a lump-sum repayment of the difference between the amount paid at the 2.0 percent rate prior to July 1, 2011, and the amount that would have been paid over the same period at the full 7.0 percent, with interest. The lump sum repayment may be made prior to retirement, or may be made at the time of retirement as a deduction from the proceeds of a partial lump-sum retirement option.

Estimated State Fiscal Effect				
	FY 2011 SGF	FY 2011 All Funds	FY 2012 SGF	FY 2012 All Funds
Revenue	--	--	--	--
Expenditure	--	--	\$25,000	\$25,000
FTE Pos.	--	--	--	--

According to KPERS, there are 42 active KP&F members who have 32 years or more of credited service and would be affected by this bill, as of December 31, 2009. KPERS states that

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enactment of the bill would not increase either employer contributions or the unfunded liability for KP&F retirement system, since the higher maximum benefit would be offset by the 7.0 percent member contributions paid in lump sum to the KP&F system. KPERS also notes that the bill would require modifications to the agency's computer systems and is estimated to be approximately \$25,000 for software design costs. Any fiscal effect associated with HB 2263 is not reflected in *The FY 2012 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", written in a cursive style.

Steven J. Anderson, CPA, MBA  
Director of the Budget

cc: Faith Loretto, KPERS