

April 23, 2012

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 2762 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2762 is respectfully submitted to your committee.

HB 2762 would provide a 1.0 percent cost of living adjustment (COLA) for KPERS retirees each year for the next three years, beginning on July 1, 2012. In order to be eligible for a COLA in any year, a retiree would have had to retire at least one year prior to the COLA effective date. A KPERS joint annuitant of a deceased KPERS member would also be eligible for the COLA. The bill would allow the actuarial accrued liability for the COLA to be amortized over 15 years.

According to KPERS, enactment of HB 2762 would increase the unfunded actuarial liability of the retirement system by \$300.7 million, including \$229.9 million for the groups funded by the State of Kansas (including the State-School Group, KP&F, as well as Judges Group) and \$70.8 million for local employers. Using a 15-year amortization schedule, KPERS estimates that an additional \$27.5 million in employer contributions would be required each year, beginning in FY 2013, including \$24.6 million from the State General Fund. This additional funding would be required each year through FY 2028, with a 15-year amortization schedule. For local employers, KPERS estimates that an additional \$6.8 million in employer contributions would be required each year, beginning in calendar year 2013.

In addition, KPERS estimates that enactment of the bill would require approximately \$44,300 in administrative costs during FY 2013, including \$6,000 for modifications to the agency's computer systems and approximately \$38,300 for notification correspondence to eligible retirees. The agency states that it would require expenditures of \$38,300 in FY 2014 and

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FY 2015 for notification correspondence. Any fiscal effect associated with HB 2762 is not reflected in *The FY 2013 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Steven J. Anderson", with a long horizontal flourish extending to the right.

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

cc: Faith Loretto, KPERS