

January 12, 2018

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

Dear Representative Kelly:

**SUBJECT:** Fiscal Note for HB 2444 by Joint Committee on Pensions, Investments and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2444 is respectfully submitted to your committee.

KSA 2017 Supp. 74-4921c prohibits the Board of Trustees of the Kansas Public Employee Retirement System (KPERS) from investing any KPERS funds in companies with certain business operations in Sudan. The statute requires KPERS to submit an annual report to the Joint Committee on Pensions, Investments and Benefits regarding investments in Sudan and divestment activities. HB 2444 would repeal the statute, which has been in effect since 2007. The bill would also repeal KSA 74-4921d regarding indemnification for Board members, state officers, employees and others.

According to KPERS, divestiture requirements affect KPERS' investments but the precise fiscal effect is unknown. Assuming an international equity market value of \$4.9 billion, the negative investment impact from divestiture requirements, which includes annual transaction costs and tracking errors from lost investment opportunities, could range between \$17.5 million to \$28.0 million per year. HB 2444 would remove the transaction costs and tracking errors associated with the divestiture requirements.

To carry out the requirements of the statute, KPERS subscribed to two third-party research services resulting in annual administrative costs of \$23,415. HB 2444 would eliminate this expenditure. Any fiscal effect associated with HB 2444 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,  
Director of the Budget

cc: Jarod Waltner, KPERS