

February 20, 2007

The Honorable Sharon Schwartz, Chairperson  
House Committee on Appropriations  
Statehouse, Room 517-S  
Topeka, Kansas 66612

Dear Representative Schwartz:

SUBJECT: Fiscal Note for HB 2178 by Representative Lane, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2178 is respectfully submitted to your committee.

HB 2178 would authorize a 3.0 percent retirement benefit increase for all KPERS, KP&F, and Judges Retirement System members who retired from service prior to July 1, 2006. The benefit would become effective July 1, 2007. The bill would also provide a 3.0 percent increase for KPERS long-term disability benefit recipients, effective July 1, 2007.

According to KPERS, enactment of HB 2178 would have the following fiscal effect on the retirement system:

	Estimated Increase in: Unfunded <u>Actuarial Liability</u>	Employer <u>Contribution Rate</u>	Estimated Additional First Year Employer <u>Contributions</u>
KPERS State Group	\$ 38,000,000	0.28%	\$ 2,500,000
KPERS School Group	106,000,000	0.24%	6,900,000
KP&F State	2,750,000	0.41%	180,000
Judges	<u>1,400,000</u>	0.54%	<u>130,000</u>
Subtotal—State	\$148,150,000		\$ 9,710,000
KPERS Local Group	\$ 24,000,000	0.12%	\$ 1,570,000
KP&F Local Group	<u>21,250,000</u>	0.41%	<u>1,360,000</u>
Subtotal—Local	\$ 45,250,000		\$ 2,930,000
Total—State & Local	\$193,400,000		\$12,640,000

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KPERS notes that this cost estimate is based on the December 31, 2005 actuarial valuation and that the unfunded actuarial liability would be amortized over the remaining 25 years left in the system's current amortization period.

KPERS estimates the following fiscal effect for KPERS long-term disability recipients:

	<u>Estimated Increase in Liability</u>	<u>Additional First Year Benefit Payments</u>
State & School Employees	\$3,700,000	\$616,000
Local Employees	<u>1,100,000</u>	<u>174,000</u>
Total	\$4,800,000	\$790,000

KPERS notes that this cost estimate is also based on the June 30, 2005 actuarial valuation. Any fiscal effect resulting from the enactment of HB 2178 is not included in *The FY 2008 Governor's Budget Report*.

Sincerely,



Duane A. Goossen  
Director of the Budget

cc: Mary Beth Green, KPERS