

February 1, 2024

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2563 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2563 is respectfully submitted to your committee.

HB 2563 would provide a one-time \$500 payment for certain retirees and disability recipients in the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Fireman's Retirement System (KP&F), the State School Retirement System, and the Judges Retirement System. To qualify for this one-time payment, the retirant must have retired on or before July 1, 2014. For disability recipients, the disability had to occur on or before July 1, 2014. All payments would be made on or after October 1, 2024.

According to KPERS, 66,538 KPERS retirees, beneficiaries, or KP&F disability recipients (or approximately 58.0 percent of these groups) would be eligible for the one-time \$500 payment, as of the December 21, 2022 actuarial valuation. This total would include 50,048 individuals from state employers, 15,920 from local employers, and 570 disability recipients. In total, the bill would authorize \$33.3 million in one-time payments (\$500 one-time payment X 66,538 eligible beneficiaries = \$33,269,000).

KPERS notes that the bill would authorize payments from either the KPERS Fund or the Group Insurance Fund, depending on the beneficiary. In addition, HB 2563 contains no appropriations from the State General Fund. As a result, current statutes require the consulting actuary to estimate the fiscal effect of the bill, including the length of the amortization. The actuary completed a cost estimate of the benefit by amortizing the cost of the one-time payments over ten years. The following would be the estimated fiscal effect if HB 2563 was enacted, including the estimated effects on the unfunded actuarial liability (UAL) and employer contribution rates:

Estimate Fiscal Effect—HB 2563
Dollars in Millions

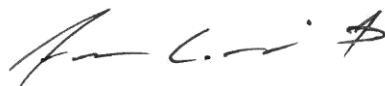
	FY 2025 Estimated UAL <u>Change</u>	FY 2025 Additional Employer Contributions	FY 2026 Additional Employer Contributions
<u>State Groups</u>			
State/School	\$ 24.2	\$ 2.96	\$ 3.05
KP&F—State	0.3	0.03	0.03
Judges	<u>0.1</u>	<u>0.01</u>	<u>0.01</u>
Subtotal—State Groups	\$ 24.6	\$ 3.00	\$ 3.09
<u>Local Groups</u>			
Local	\$ 6.4	\$ 0.78	\$ 0.81
KP&F—Local	<u>1.7</u>	<u>0.20</u>	<u>0.21</u>
Subtotal—Local Groups	\$ 8.1	\$ 0.98	\$ 1.02
Total	\$ 32.7	\$ 3.98	\$ 4.11

	<u>Current FY 2025 Employer Cont. Rate</u>	<u>Estimated FY 2025 Rate</u>	<u>Estimated FY 2026 Rate</u>
<u>State Groups</u>			
State/School	11.42%	11.47%	11.61%
KP&F—State	23.10%	23.15%	24.66%
Judges	21.35%	21.39%	23.10%
<u>Local Groups</u>			
Local	9.26%	9.30%	9.64%
KP&F—Local	23.10%	23.13%	24.64%

The Division of the Budget notes that of the additional \$3.0 million in state employer contributions that would be required in FY 2025, approximately \$2.6 million would be from the State General Fund, with the assumption that the State General Fund covers approximately 85.0 percent of the State/School Group employer contributions. For FY 2026, a similar fiscal effect would be expected.

KPERS notes that the additional administrative functions of making the one-time payment would be accomplished with the agency’s existing staff. The Division of the Budget estimates that any administrative costs associated with issuing the one-time payment would be negligible. Any fiscal effect associated with HB 2563 is not reflected in *The FY 2025 Governor’s Budget Report*.

Sincerely,



Adam C. Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS