

STATE OF KANSAS

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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 15, 2018

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions and Insurance
Statehouse, Room 341-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 395 by Senate Committee on Financial Institutions and Insurance

In accordance with KSA 75-3715a, the following fiscal note concerning SB 395 is respectfully submitted to your committee.

Under current law, benefits for members of the Kansas Public Employees Retirement System (KPERs), the Kansas Police and Fireman's Retirement System (KP&F), the Judges Retirement System (Judges) are generally calculated using the member's final average salary times years of service times a multiplier. SB 395 would limit the final average salary to \$99,636 plus an annual percentage increase that is equal to the annual percentage increase in the U.S. Social Security benefit base, as determined by federal law, for members hired on or after July 1, 2018 and for existing members whose period of participating service under a contract with an employer was entered into on or after April 1, 2018.

According to KPERs, it is estimated that the bill would reduce employer contributions by approximately \$300,000 in FY 2019. This amount includes \$150,000 from the KPERs State/School Group, \$90,000 from the Local Group, and \$60,000 from the Judges plan. KP&F would not experience a reduction in employer contributions in FY 2019. Over the 30-year projection period ending in FY 2048, KPERs estimates the total employer contributions would decrease by \$5.0 million for the State/School Group, \$7.8 million for the Local Group, \$42.2 million for KP&F and \$33.8 million for Judges.

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KPERS notes that the bill would not apply to the KPERS 3 Plan, which is the cash balance plan. The KPERS 3 Plan does not use a final average salary calculation when determining member benefits. As a result, no cap could be applied to KPERS 3 members. Under current law, all new hires may only participate in the KPERS 3 Plan. Any fiscal effect associated with SB 395 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in cursive script, appearing to read "L. Campbell".

Larry L. Campbell
Chief Budget Officer

cc: Jarod Waltner, KPERS