January 24, 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 2461 by Joint Committee on Pensions, Investments and Benefits

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2461 is respectfully submitted to your committee.

Under current law, the Kansas Public Employee Retirement System (KPERS) Board of Trustees is allowed to make an annual net commitment to “alternative investments” of up to 1.0 percent of the total market value of the fund’s investment assets, as measured from the end of the preceding calendar year. HB 2461 would allow up to 5.0 percent of the total market value of the fund’s investment assets. Under statute, “alternative investments” are nontraditional investments outside the established nationally recognized public stock exchanges and government securities market, including private placements, venture capital, and various partnerships.

According to KPERS, enactment of HB 2461 would increase the probability that the total portfolio return is consistent over the long term with the KPERS investment return assumption of 8.0 percent, while maintaining a similar level of risk to the current target portfolio. The bill would allow KPERS to increase the number of possible portfolio asset mix outcomes, resulting in a more efficient investment portfolio, while enhancing portfolio diversification and allowing additional investment opportunities. KPERS indicates that it could implement the bill within its current staffing and budget.

Sincerely,

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

cc: Faith Loretto, KPERS