

SESSION OF 2020

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2619

As Recommended by House Committee on
Financial Institutions and Pensions

Brief*

HB 2619 would change the frequency of the actuarial experience and cost study that is performed by the Board of Trustees (Board) of the Kansas Public Employees Retirement System (KPERS or the Retirement System) from once every three years to once every four years. This change would begin with the latest study completed prior to July 1, 2020. In its fiduciary duty to act in the best interests of the Retirement System, the Board would have the discretion to adjust the frequency of the study from the four years specified in the bill to not any more frequent than once every three years and not any less frequent than once every five years.

The bill would also make technical changes.

Background

The bill was introduced by the House Committee on Financial Institutions and Pensions at the request of Representative Kelly.

In the House Committee hearing, a representative of the Kansas Association of Retired School Personnel provided proponent testimony, stating the evaluation of variables such as mortality, the number of retirements, changes in compensation, and inflation can be better evaluated using a longer period of sampling.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

A representative of KPERS provided neutral testimony, explaining a triennial study has been conducted since 1962, a year after the Retirement System was established. The representative stated a study is a common practice for public pension plans. The study examines the economic and demographic assumptions and methods used in the actuarial valuation. Economic assumptions include the inflation rate, investment rate of return, and wage growth. Demographic assumptions include mortality, retirement rates, termination rates, and benefit selections. Actuarial methods include the amortization method for the unfunded actuarial liability, the asset valuation method, and the actuarial cost method (*i.e.*, how the costs of benefits are allocated throughout a member's career). The representative also stated changing to a four-year schedule would improve the credibility of certain demographic assumptions.

No opponent testimony was provided.

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, KPERS indicates the costs to complete an experience study are incorporated into the contract for actuarial services. The bill would not affect expenditures in FY 2020 or FY 2021. KPERS notes the bill would reschedule the next experience study by one year, which is currently scheduled to be completed in FY 2024.