

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017 Session

Senate Bill 241 (As Introduced)

Summary	<p>SB 241 would amend K.S.A. 74-4958 by increasing the cap on member retirement benefits for KP&F members from 90% of final average salary to 100% of final average salary.</p> <p>Members reach the existing 90% cap after 36 years of service, while 40 years of service would be required to reach a 100% cap.</p>
Sponsor:	Senate Committee on Ways and Means
Location:	Senate Committee on Financial Institutions and Insurance
Cost:	<p>SB 241 changes the benefit plan design for KP&F members. The change would increase benefits for certain members, which would result in a higher cost to fully fund benefits. SB 241 does not specify how the change in benefit plan design will be funded. Since employee contributions are statutorily set, any cost increases caused by SB 241 will be funded by KP&F employers.</p> <p>KPERS' consulting actuary completed a cost study on a similar policy change of removing the cap on KP&F benefits entirely. The cost impacts of a 100% cap and no cap are similar enough that the actuary indicated the existing cost study would be representative of the costs for SB 241.</p> <p>The cost study indicates that completely removing the cap on KP&F benefits would be expected to increase the KP&F unfunded actuarial liability by \$3.2 million, which would increase the unfunded actuarial liability contribution rate for KP&F employers by 0.09%. The change in benefit structure would result in an increase in the employer normal cost rate of 0.02%. The total increase in the KP&F contribution rate if there was no cap on benefits is estimated to be 0.11%. This would somewhat overstate the total cost of SB 241 since there would be a cap on KP&F benefits of 100% of final average salary under SB 241.</p> <p>In the latest valuation (12/31/2015), there was 1 active KP&F member that would be affected by the availability of increased benefit cap (i.e., more than 36 years of service).</p>
Notes:	