

MEMORANDUM

To: House Financial Institutions and Pensions Committee

From: Alan D. Conroy, Executive Director

Date: February 5, 2025

Subject: Informational Testimony on House Bill 2130

House Bill 2130 allows retirees to elect to change the frequency of their benefit payment either monthly or biweekly.

Current Plan Design

Under current law, retirees receive benefits monthly paid on the last working day of the month. This includes all three plans – KPERS, KP&F and Judges.

The monthly payment of benefits was part of the original plan design for all three retirement plans when they were created in 1953 (Judges), 1961 (KPERS) and 1965 (KP&F).

House Bill 2130

House Bill 2130 allows members currently receiving benefits to elect to receive payments on a biweekly basis. This option would also be available to any member who begins receiving benefits on or after July 1, 2026.

The bill does not change the benefit application process. Members would make the election to receive biweekly payments only after their first benefit payment has been issued.

If no election is made, benefits will continue to be paid monthly.

Actuarial Costs

Paying benefits biweekly instead of at the end of the month results in earlier payments, meaning funds are withdrawn from the Trust Fund more quickly. This change increases the present value of the benefits because the payments are made sooner. As a result, the total actuarial liability—representing the amount owed for benefits earned in the past—also rises. Without a corresponding increase in assets to cover these liabilities, this leads to a larger unfunded liability, which will require additional funding in the future.

The cost impact of HB 2130 depends on how many retirees choose biweekly payments, which is difficult to predict.



The actuary estimated costs under three scenarios:

1. 50% of members choose biweekly payments
2. 75% choose biweekly payments
3. 100% choose biweekly payments

For all plans (KPERs, KP&F, and Judges), the estimated increase in unfunded actuarial liability ranges from \$29.0 million (if 50% opt in) to \$54.3 million (if all opt in). Since participation rates are unknown, the 100% scenario represents the maximum potential cost.

The increase in the unfunded actuarial liability can be covered with a one-time upfront payment or amortized over 20 years. For the State/School group, amortizing this cost over 20 years would increase the employer contribution rate by 0.05%, or approximately \$3.2 million in FY 2026.

Costs vary by employer group due to differences in membership and plan design. The cost estimates for all three scenarios are included in Attachment A.

Administrative Costs

Updating the pension administration system to support biweekly payments requires modifications to core processes that manage benefit payments. Implementing this change will involve extensive development and testing to ensure accuracy and continued timeliness of payments.

The estimated timeline for the pension administration system updates is 12 months, with an anticipated cost of approximately \$800,000 in contract expenses with the pension administration system vendor. HB 2130 does not allow for elections until July 2026, which is workable within the expected development timeframe.

Additionally, we estimate that three additional staff positions will be necessary to manage the increased payment cycles and ensure accurate tracking of retiree elections. These positions will be responsible for overseeing the timely processing of biweekly payments and maintaining records of retiree election choices. The need for these positions is expected to begin in January 2026, with forecasted salaries and benefits totaling \$153,426 for the second half of FY 2026. For FY 2027, the full-year cost is estimated at \$265,768.

I would be pleased to respond to any questions the Committee may have.

Attachment

**Actuarial Cost Estimates of Biweekly Benefit Payment Option
House Bill 2130**

Scenario 1: 50% of Members Elect Biweekly Payments				
	Estimated Increase in UAL (\$M)	Total Contribution Rate Increase	FY 2026 Additional Contribution (\$M)	FY 2027 Additional Contribution (\$M)
State/School	\$19.3	0.03%	\$1.99	\$2.04
Local	5.8	0.03%	0.65	0.67
KP&F				
State	0.4	0.05%	0.04	0.04
Local	3.4	0.05%	0.31	0.32
Judges	0.2	0.06%	0.02	0.02
Total	\$29.0		\$3.01	\$3.10

Scenario 2: 75% of Members Elect Biweekly Payments				
	Estimated Increase in UAL (\$M)	Total Contribution Rate Increase	FY 2026 Additional Contribution (\$M)	FY 2027 Additional Contribution (\$M)
State/School	\$26.5	0.04%	\$2.51	\$2.58
Local	7.9	0.03%	0.81	0.84
KP&F				
State	0.5	0.07%	0.05	0.06
Local	4.6	0.07%	0.47	0.48
Judges	0.2	0.08%	0.03	0.03
Total	\$39.8		\$3.87	\$3.99

Scenario 3: 100% of Members Elect Biweekly Payments				
	Estimated Increase in UAL (\$M)	Total Contribution Rate Increase	FY 2026 Additional Contribution (\$M)	FY 2027 Additional Contribution (\$M)
State/School	\$36.1	0.05%	\$3.21	\$3.30
Local	10.8	0.04%	1.02	1.05
KP&F				
State	0.7	0.09%	0.07	0.07
Local	6.3	0.09%	0.59	0.61
Judges	0.3	0.11%	0.04	0.04
Total	\$54.3		\$4.93	\$5.08