SESSION OF 2010

SUPPLEMENTAL NOTE ON HOUSE SUBSTITUTE FOR SENATE BILL NO. 146

As Recommended by House Committee on Select Committee on KPERS

Brief*

House Sub. for SB 146 would establish procedures for computing benefits for state employees who are members of the Kansas Public Employees Retirement System (KPERS), the Kansas Police and Firemen's (KP&F) Retirement System, or the Retirement System for Judges and who are placed on furlough or have a reduction in compensation. The bill would:

- Reinstate current law (KSA 74-49,115) and add a new sunset date of June 30, 2013;
- Insure that both compensation reductions and furloughs are covered in the law, and set January 1, 2010, as the effective date;
- Limit application to public employees with 20 or more years of credited service, and who opt for normal retirement, become disabled, or die;
- Add an interest rate provision to pay with employer contributions at the actuarially assumed KPERS rate (currently 8.0 percent); and
- Allow flexibility for agencies in implementing furloughs in order to maximize hours and days to be open and to continue operating their programs.

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*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

Background

KSA 74-49,115 originally was enacted in 1987, and renewed in 2002, to preserve the retirement, death and disability benefits of certain state officers and employees who had compensation reduction, or who were furloughed prior to July 1, 2007. According to the Division of Personnel Services, only four agencies participated during the period from 2003 to 2007 when the provisions expired. Total costs were $34,466 for that period.

The Senate version of SB 146, as amended by the Committee on Ways and Means, would have reinstated the statutory provisions related to compensation reductions and furloughs of certain state officers and employees which expired on June 30, 2007. The bill would have provided that if certain state officers and employees are placed on furlough, contributions would continue to be paid by the state for both the employee and employer payments for retirement, death and long-term disability benefits. The state officers and employees who would be eligible for state-paid contributions, if placed on furlough, would include members of the Kansas Public Retirement System (KPERS), the Retirement System for Judges, and the Kansas Police and Firemen's (KP&F) Retirement System. The bill also would have provided that no state office or program shall be closed as a result of all-day layoffs unless no other alternative could be used.

The fiscal note for the Senate version of the bill submitted by the Director of the Budget stated that enactment of SB 146 would result in additional costs for state agencies at the time the various furloughed employees were away from the agency. The extent of the additional costs would depend on how widespread furloughs would be used. Because the employer would pay both the employer and employee contributions on the additional compensation calculation at the time of reductions, the cost would impact the fiscal year in which the furlough occurred.

The House Select Committee on KPERS reviewed 2009 SB 146 and 2010 HB 2716, both of which would reinstate KSA 74-49,115 that expired in 2007 and addressed furloughs of state employees. Testifying in support of SB 146 was a representative of the Judicial Administrator. The Secretary of Corrections supported SB 146 with a proposed amendment to make its provisions effective on January 1, 2010. A spokesperson for Representative Tom Hawk spoke in favor of HB 2716.

A Subcommittee was appointed to review both bills and to make recommendations regarding furlough policy. The House Committee adopted the Subcommittee report and all of its recommendations that were incorporated into House Substitute for SB 146.

No fiscal note was prepared by the Director of the Budget for the House Committee version of the bill. However, by reverting back to the original law which delayed the payment of employer contributions until the time of a qualifying event, such as retirement, death or disability, the House Committee version of the bill would cause most of the costs to be deferred until subsequent fiscal years, and the impact would be minimized in the immediate budget years. By adding an interest rate provision, the cost will be higher than under the previous law.