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Laura Kelly, Governor

February 14, 2025

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2006 by Representative Proctor, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2006 is respectfully submitted to your committee.

HB 2006 would make the Department of Corrections an eligible employer to affiliate with the Kansas Police and Fireman's Retirement System (KP&F) on July 1, 2025, for security officers employed by the Department of Corrections. The bill would require the Department to make application for affiliation in KP&F "to be effective on July 1 next following application." Security officers that would be affected by the bill are currently in the KPERS subgroup known as "Corrections KPERS-A," who have the same benefits structure as the regular KPERS plan but have a lower normal retirement age. These positions include all uniformed adult corrections officers, corrections counselors, unit team managers and supervisors, classification administrators, and certain correctional facility administrative positions.

The bill would also allow members who move from Corrections KPERS-A to KP&F to purchase Corrections KPERS-A service as KP&F service, which would only be available to this group of members that would be affected by HB 2006. For members who do not purchase past service as KP&F, their retirement benefit would include a proportional benefit from Corrections KPERS-A and KP&F.

According KPERS and the Department of Corrections, the enactment of HB 2006 would require additional FY 2026 expenditures in the Department's budget totaling $19.0 million from the State General Fund when all eligible security officers would be transferred from affiliation with KPERS to KP&F. The new total FY 2026 employer contributions for this group would be approximately $40.1 million. This estimate is based on the employer contributions from the payroll base of these employees going from 13.58 percent (including 1.00 percent for Death & Disability Insurance) for KPERS to 24.67 percent for KP&F in FY 2026. Future employer contributions paid by the Department would be dependent on the annual rate certified by KPERS to the Division of the Budget.

The KPERS actuary notes that the addition of 2,200 members and $157.2 million in additional payroll to the KP&F Group would affect the covered payroll of the KP&F Group. Because the bill would allow these members to purchase KPERS-correctional service group as KP&F service, there would be no additional liability added to the KP&F Group. Having the same liabilities over a larger payroll would decrease future KP&F employer contributions slightly. Based on the current assumptions, the estimated effect on KP&F employer contribution would be a decrease in the FY 2028 rates (using the December 31, 2024 valuation) by 1.98 percent, from 24.00 percent to 22.02 percent. This would be the uniform rate paid by all state and local KP&F employers. A lower rate on a higher payroll would yield the same dollar amount of contributions. This reduction in the employer contribution rate would essentially shift some of the cost of the KP&F plan from local employers to the state because all of the new payroll would be coming from the state.

Likewise, the loss of the correctional officer payroll in the KPERS group without losing the existing liability of the KPERS service of those correctional positions means that the same liabilities would now be funded over a smaller payroll and increase the employer contribution ratio slightly. The actuary estimates an increase in FY 2028 State/School Group employer contributions by 0.21 percent. This higher rate would be applied to a lower payroll, so it is approximately the same dollar amount of revenue to the KPERS system despite the rate increase.

KPERS also estimates that the agency would require an additional 1.00 FTE position to provide transition and ongoing support to the Department of Corrections and its facilities. The Benefits Analyst II position would test the information technology changes as well. The cost of the new position is estimated at $89,851, including $62,000 for salaries and wages, as well as $27,851 for fringe benefits, all from the KPERS Trust Fund. For FY 2027, the agency estimates expenditures for this position totaling $93,164, including salaries and wages and fringe benefits. The position would be an ongoing cost for the agency. In addition, the bill would require updates to the KPERS information technology system; however, any costs would be negligible and funded with existing budget resources. Any fiscal effect associated with HB 2006 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS
Jennifer King, Department of Corrections