



February 8, 2013

Testimony on 2013 HB 2228

Elaine Frisbie, Deputy Director of the Budget

2013 House Bill No. 2228 is legislation introduced at the request of the Division of the Budget and the Office of the Governor in concert with a proposal in the Governor's budget that affects state agencies in both FY 2014 and FY 2015.

Background

Death and Disability Benefits. Since 1966, the Death and Long-Term Disability Benefits Program has provided death and disability benefits for active KPERS members and unclassified employees of the Board of Regents and its institutions. Employers contribute a statutory rate of covered payroll to pay for basic group life insurance and long-term disability protection. The 2005 Legislature adopted a number of changes in the program in order to make it self-sustaining on a "pay-as-you-go" basis, including an increase in the employer contribution rate from 0.6 to 1.0 percent of covered payroll effective in FY 2007.

Proposed Change in HB 2228

The Governor proposes to reduce all agency budgets by making a temporary discount in the statutory rate paid to the KPERS Death & Disability Fund. The legislation before you today would reduce the statutory rate from 1.0 percent to 0.85 percent of covered payroll to accomplish this budget reduction. The rate change will reduce costs within the state budget not only to the State General Fund but to all agency operating funds, including federal funds. Specifically, agency budgets were reduced in FY 2014 \$6,282,486 from all funding sources and agency State General Fund appropriations were reduced a collective \$4,634,418. Slightly lower amounts were reduced out of agency FY 2015 budgets. Local governments will also realize savings over the same time period of some unknown amount.

While this is a reduction in income to the KPERS Death & Disability Fund, it will **not** impact benefit payouts. Alan Conroy, the Executive Director of KPERS, can provide specific detail of the Fund's status, but this budget reduction was crafted to achieve maximum budget savings while not hurting the Fund.

House Pensions & Benefits

Date: 2-8-2013

Attachment # 4

Below please find a table published within the State Employees section of *The FY 2014 Governor's Budget Report* that details the state's commitment to funding the employer's obligation for KPERS, including the Death & Disability Program.

Employer Contribution Rates Combined KPERS & Death/Disability Programs for State & School			
<u>Fiscal Year</u>	<u>Actuarial Rate</u>	<u>Actual Rate</u>	
1999	5.33%	3.99%	
2000	5.27%	4.19%	
2001	6.15%	3.98%	*
2002	6.00%	4.78%	
2003	6.17%	4.98%	*
2004	7.05%	4.58%	*
2005	8.29%	5.47%	
2006	9.94%	6.07%	
2009	9.75%	6.77%	
2008	11.37%	7.37%	
2009	11.86%	7.97%	*
2010	11.98%	8.57%	*
2011	12.30%	8.90%	*
2012	15.09%	9.77%	*
2013	14.46%	10.37%	*
2014	13.83%	11.12%	
2015	14.34%	12.12%	
2016	N/A	13.02%	
2017	N/A	14.02%	
2018	N/A	15.12%	
2019	N/A	16.32%	

** Employer contributions to the KPERS Death & Disability Fund were suspended for a portion or all of the fiscal year.*