SESSION OF 2013

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2228

As Amended by House Committee on Pensions and Benefits

Brief*

HB 2228, as amended, would reduce all Kansas Public Employers Retirement System (KPERS) participating employers' contribution rate to 0.85 percent from July 1, 2013, to June 30, 2015. The rate would return to 1.0 percent on July 1, 2015, for the Death and Long-term Disability Benefits Plan administered by KPERS for state, school, and local public employees who are eligible for membership.

The bill, as amended, also would institute a moratorium on all payments by KPERS participating employers from April 1 to June 30, 2013, in order to make the statutory change approved by the 2012 Legislature in House Sub. for SB 294 (the 2012 mega-appropriations bill) that became law.

Background

The bill was recommended for introduction by the House Committee on Appropriations. The proposed legislation would implement the Governor's budget recommendations in FY 2014 and FY 2015 by making the necessary statutory changes required as a result of the budget reductions made in the state and school funding for the Death and Long-term Disability Benefits Plan. The bill also is required to extend the Governor's budget recommendations to the local units of government. The bill does not affect the Kansas Police and Firemen's (KP&F) Retirement Plan or its participants who have a different death and long-term disability benefits plan.

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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

The Deputy Director of the Budget spoke in favor of the bill. The KPERS Executive Director indicated sufficient ending balances in the Group Insurance Reserve Fund would be maintained during the moratorium on employer contributions and the temporary reductions in revenue would not have an adverse impact on the Plan or the eligible public employees receiving benefits under the Plan.

Staff from the Office of the Revisor of Statutes pointed out the approved 2012 appropriations bill signed into law by the Governor instituted a moratorium on all payments from KPERS participating employers for April 1 to June 30, 2013, but that no other bill had passed the 2012 Legislature to implement the budget recommendation in FY 2013 for the Death and Long-term Disability Benefits Plan moratorium.

The House Committee added an amendment in the bill to implement a statutory provision for the FY 2013 moratorium on participating employer contributions. The budget reductions were made by the 2012 Legislature, but a trailer bill was never passed to apply the moratorium on the state, school, and local units of government, as approved in 2012 House Sub. for SB 294 (last year's mega-appropriations bill) that reduced budgets accordingly.

The fiscal note indicated savings would benefit the state, school, and local units of government that are KPERS participating employers. The moratorium would reduce revenue by an estimated $7.4 million in FY 2014 and $8.2 million in FY 2015. The ending balance of the Group Insurance Reserve Fund was estimated at $10.7 million on June 30, 2014, and $9.3 million on June 30, 2015.

There was no fiscal note submitted by the Budget Director for the amendment added by the House Committee. Presumably the estimated ending balances in FY 2014 and FY 2015 anticipated the quarterly moratorium in FY 2013, since it was approved previously by the 2012 Legislature and Governor. KPERS previously estimated total savings of $15.96 million, including $12.27 million for the state's contributions and $3.70 million for the local contributions for the 4th quarter deferral of payments in FY 2013.