

January 26, 2018

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions & Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2448 by Representative Jennings

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2448 is respectfully submitted to your committee.

Under current law, employees of the Department of Corrections are members of either the Kansas Public Employee Retirement System (KPERs) State Group or the Corrections Groups. Both groups are part of regular KPERs. The Corrections Groups are subgroups of the KPERs State Group. Generally, the requirements for normal retirement are different under the Corrections Groups and members may retire earlier than KPERs State Group members. Eligibility for membership in the Corrections Groups is based on certain job classes that have regular contact with adult offenders.

HB 2448 would allow the Department of Corrections to become an eligible employer with the Kansas Police and Firemen's Retirement System (KP&F) on July 1, 2018. Every person who is employed as a security officer on or after the date of the Department's affiliation with KP&F would become a member of KP&F. Retirement, death or disability benefits for existing employees would be calculated based on (1) prior KPERs State Group or Corrections Group service up to the effective date of affiliation and (2) future KP&F service on and after the effective date.

The bill would define security officer as any employee in the Department of Corrections:

1. Who is in any position in the corrections officer job class series;
2. Who is in any position in the juvenile corrections officer job class series;
3. Who is promoted prior to, on, or after July 1, 2018 from a position in the corrections officer class series to a position in the warden or deputy warden job class, the work release supervisor job class, the training officer job class, or corrections administrator job class;

4. Who is in any position relating to the operation of power plant facilities within any correctional facility or juvenile correctional facility and has regular contact with adult or juvenile offenders;
5. Who is in any position relating to correctional industries and has regular contact with adult or juvenile offenders;
6. Who is in any position relating to food service operations at any correctional facility or juvenile correctional facility and has regular contact with adult or juvenile offenders; and
7. Who is in any position relating to supervising maintenance operations within any correctional facility or juvenile correctional facility and has regular contact with adult or juvenile offenders.

The Division of the Budget and the Governor would be required to include all necessary employer contributions in the budget resulting from the shift of the Department of Corrections to KP&F. After the effective date of affiliation with KP&F, security officer employees in the Department of Corrections would pay an employee contribution rate of 7.15 percent. Currently, they pay a contribution rate of 6.0 percent.

| Estimated State Fiscal Effect | | | | |
|-------------------------------|----------------|----------------------|----------------|----------------------|
| | FY 2018 SGF | FY 2018 All Funds | FY 2019 SGF | FY 2019 All Funds |
| Revenue | -- | -- | -- | -- |
| Expenditure | -- | -- | \$5,357,918 | \$4,992,963 |
| FTE Pos. | -- | -- | -- | -- |

Currently, the KP&F employer contribution rate for FY 2019 is 20.05 percent. According to KPERS, the bill would reduce the KP&F rate to 18.82 percent. This would occur in large part because of a decrease to the KP&F Unfunded Actuarial Liability (UAL). The employer contribution rate for the Corrections Groups and the KPERS State Group is 13.21 percent for FY 2019. Beginning July 1, 2018, the state would need pay an employer contribution rate of 18.82 percent, or an increase of 5.61 percent, on those Department of Corrections employees who would be eligible for the KP&F plan. KPERS estimates that the bill would require additional employer contributions of \$5,559,182 from all funds for the Department of Corrections. Based on salaries and wages data from the budget system, the Division of the Budget estimates that approximately 98.0 percent of the Department's FY 2019 employer contributions are from the State General Fund. Using this percentage, the Division estimates that \$5,450,778 from the State General Fund would need to be added to the Department of Corrections budget for FY 2019.

The reduction to the KP&F employer contribution rate described above would have a fiscal effect on state agencies who are currently affiliated with KP&F. The decrease to the KP&F employer contribution rate would result in a total decrease of \$566,219 from all funds. Based on

The Honorable Jim Kelly, Chairperson

January 26, 2018

Page 3—HB 2448

salaries and wages data from the budget system, the Division of the Budget estimates that approximately 16.4 percent of total employer contributions from KP&F state agencies are from the State General Fund in FY 2019. Using this percentage, the Division estimates that of the total all funds decrease, \$92,860 would be from the State General Fund. Altogether, the bill would result in a net increase to state employer contributions of \$4,992,963 from all funds, including \$5,357,918 from the State General Fund in FY 2019. The additional expenditures for employer contributions are not included in *The FY 2019 Governor's Budget Report*.

KPERS indicates that transferring certain Department of Corrections employees from the Corrections Groups to KP&F would not increase the total UAL of KP&F and result in only a small decrease to the KPERS State Group UAL of \$17.0 million. According to the December 31, 2016 actuarial valuation, the UAL for the KPERS State Group is \$922.0 million.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Jarod Waltner, KPERS
Linda Kelly, Corrections