

March 22, 2023

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 2428 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2428 is respectfully submitted to your committee.

HB 2713 would make the Kansas Department of Corrections (KDOC) and the Kansas Department of Wildlife and Parks (KDWP) eligible employers for the Kansas Police and Firemen's Retirement System (KP&F) on July 1, 2023. The bill would convert certain positions within those agencies from KPERS membership to KP&F membership for future service only, including certain law enforcement officers at KDWP, and certain corrections officers at KDOC.

The Kansas Public Employees Retirement System (KPERS) indicates there are two costs associated with the enactment of HB 2428, including the actuarial costs from the estimated 2,250 positions that would move to the KP&F Retirement System and additional costs for KPERS to administer the bill.

Actuarial Costs

When an employer affiliates with KP&F for future service, the employer begins paying the KP&F employer contribution rate that has been certified for KP&F employers, which would be 22.86 percent in FY 2024. The following table illustrates the estimated employer costs associated with the estimated 2,250 positions that would move to KP&F with HB 2428:

Current Group	FY 2024 Current Employer Contribution Rate	FY 2024 KP&F Employer Contribution Rate	FY 2024 Rate Difference	Estimated Increased Employer Contributions
KPERS--Correctional Group A (KDOC)	12.99%	22.86%	9.87%	\$ 9,300,000
KPERS--Correctional Group B (KDOC)	13.73%	22.86%	9.13%	500,000
KPERS (KDWP)	11.42%	22.86%	11.44%	2,500,000
Total				\$ 12,300,000

Of the total estimated cost of \$12.3 million, approximately \$9,800,000 would be from the State General Fund for KDOC and \$2.5 million would be from all funding sources for KDWP, including federal and fee funds. The Division of the Budget notes that *The FY 2024 Governor’s Budget Report* includes expenditures totaling \$9.6 million from the State General Fund in the Department of Corrections and \$2.5 million from all funding sources in the Department of Wildlife and Parks for this conversion.

The addition of the 2,250 members to KP&F affected by the bill would increase the payroll base of the KP&F Group without adding any past liability. Dividing the cost of the existing unfunded actuarial liability over a larger payroll base would decrease future employer contributions for the KP&F Group. Also, this new group of employees would increase the normal cost of benefits for the KP&F Group. However, the decrease in the unfunded actuarial liability payment would be larger than the normal cost, so the net effect would be lower future KP&F employer contribution rates from the change. This change would first be reflected in the FY 2026 employer contributions rates for the state and calendar year 2025 employer contribution rates for local governments. The estimated effect on the state KP&F employer contribution rate for FY 2026 is a decrease of 1.59 percent. However, with the additional KP&F payroll, the total contributions in FY 2026 are expected to increase by about \$18.5 million across all KP&F employers. Local KP&F employers would see a decrease in the KP&F employer contribution rate starting in calendar year 2025 of an estimated 1.59 percent, or about \$9.0 million across all 112 Local KP&F employers.

The KPERS actuary estimates that the transfer of the KDOC and KDWP KPERS members to KP&F would reduce the KPERS State/School Group’s unfunded actuarial liability by about \$54.0 million as these employees’ future benefits would shift to KP&F.

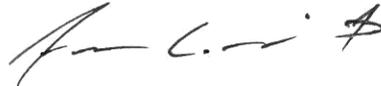
The 2,250 positions affected by the bill would experience increased employee retirement contributions. With current rates, these members contribute 6.0 percent of compensation to KPERS. After converting to KP&F, these members would contribute 7.15 percent of compensation.

Administrative Costs

KPERS would require additional administrative expenses totaling \$79,791 from the KPERS Trust Fund, including 1.00 FTE Benefits Analyst II position that would be required to provide ongoing support to the Department of Corrections and the Department of Wildlife and

Parks. The cost estimate includes \$54,495 for salaries and wages and \$25,296 for fringe benefits. In addition, the bill would require updates to the KPERS information technology system; however, any additional costs would be negligible. Any fiscal effect associated with the administrative portion of HB 2428 is not reflected in *The FY 2024 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "Adam Proffitt", with a stylized flourish at the end.

Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS