SESSION OF 2024

SUPPLEMENTAL NOTE ON SENATE BILL NO. 505

As Amended by Senate Committee on Financial Institutions and Insurance

Brief*

SB 505, as amended, would increase the benefit multiplier for Kansas Public Employees Retirement System-Correctional (KPERS-Correctional) members to 2.0 percent for any member who retires on or after July 1, 2024. The bill would also provide for the full payment of the unfunded actuarial liability associated with this retirement benefit increase by directing a transfer from the State General Fund (SGF).

Retirement Benefit Multiplier for Security Officers

KPERS-Correctional membership is composed of State employees who include correctional officers (C55) and other staff with inmate contact (*i.e.,* correctional industries, food service, power plant [C60]).

The bill would specify that for any member who is a security officer employed by the Department of Corrections (as detailed above and in KSA 74-4914a) and retires on or after July 1, 2024, the amount for participating service earned under provisions pertaining to service as a security officer with the Department will be equal to a total of 2.0 percent of the member's final average salary multiplied by the number of years of participating service.

[*Note:* All KPERS 1, 2, and KPERS-Correctional members have this benefit formula: final average salary X

*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 years of service X multiplier. Members who started on or before July 1, 2009, have both a 1.75 percent multiplier (for service before 2014) and a 1.85 percent multiplier (for service since 2014). Members who started on or after July 1, 2009, have a 1.85 percent multiplier for all years of service.

State General Fund Transfer—FY 2025

The bill would also provide that on July 1, 2024, or as soon thereafter as moneys are available, the Director of Accounts and Reports, Department of Administration, must transfer $22.3 million from the SGF to the Kansas Public Employees Retirement Fund of KPERS. The bill would further provide that such transfer would be for the full payment of the unfunded actuarial liability incurred by increasing the benefit multiplier for members who are security officers of the Department of Corrections for participating service earned under such role (KSA 74-4914a).

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Pittman. The bill was referred to the Senate Committee on Financial Institutions and Insurance on February 14, 2024.

Senate Committee on Financial Institutions and Insurance

In the Senate Committee hearing on March 5, 2024, Senator Pittman and a corrections counselor provided **proponent** testimony that outlined the challenging front-line role Department of Corrections employees face and the impact changes in salary or benefits have on recruitment and retention of these skilled employees. Both conferees noted the value of retaining correctional officers and previous efforts to include corrections officers in the Kansas Police and

Firemen's (KP&F) Retirement System, stating the increase to the benefit multiplier is a step in the right direction.

Written-only proponent testimony was submitted by the Secretary of Corrections, a corrections officer, and a representative of the Kansas Organization of State Employees.

The Executive Director of KPERS provided neutral testimony outlining current membership of the KPERS-Correctional group, KPERS-Correctional normal retirement benefit formula and example benefit calculations, and the actuarial cost estimate associated with the bill, as introduced. The KPERS-Correctional group (C55 and C60 combined) has about 1,800 members, which is about 1.7 percent of the total State/School active membership. KPERS-Correctional is the only group of KPERS members still enrolled in the KPERS 2 plan design. (KPERS-Correctional plan design was not included when the rest of the KPERS plan design transitioned to the KPER 3 cash balance plan on January 1, 2015.) KPERS-Correctional has a higher normal cost than regular KPERS because of the lower retirement age requirements. The employer for KPERS-Correctional members (Department of Corrections) therefore pays the State/School contribution rate plus the difference in the normal cost for the KPERS-Correctional plan design. Due to this funding mechanism, the $22.3 million increase in the unfunded actuarial liability (UAL) is funded by the State/School Group, while the change in normal cost is funded by the Department of Corrections. Addressing this liability, the Executive Director indicated it could be either funded up front or amortized over time. The Executive Director also requested consideration of a clarifying amendment to apply participating service only to a member's period of service as a security officer.

The Senate Committee amended the bill to provide for an appropriation and transfer from the SGF to the Kansas Public Employees Retirement Fund to make a full payment for the unfunded actuarial liability associated with the increased benefit multiplier and to specify that "participating service” for such multiplier would be for service earned as a security officer within the Department of Corrections.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget on the bill, as introduced, the KPERS actuary indicates changing the plan design for security officers in the Department of Corrections would have two costs: the increase in the UAL for the multiplier increase for all years of service for security officers who retire on and after July 1, 2024, and the increase in normal costs of benefits in future years for these members. [*Note:* Additional comment on plan design is addressed in the neutral testimony previously described.]

The fiscal note also addresses the amortization of costs over 20 years. The bill, as amended by the Senate Committee, would finance the UAL increase through a one-time SGF transfer.

KPERS also reports that enactment of the bill would require modifications to the pension administration system. The agency estimates that the programming and testing required would cost approximately $20,000 from its operating budget. In addition, the bill would require updates to agency publications and educational materials. However, the agency indicates that any additional administrative costs could be accomplished with the Governor’s proposed FY 2025 operating expenditures limit from the KPERS Fund for the agency.

In testimony to the Senate Committee on Financial Institutions and Insurance, KPERS indicated the bill would increase the UAL by $22.3 million. Any fiscal effect associated with the bill is not reflected in *The FY 2025 Governor’s Budget Report*.

Retirement; appropriations; retirement benefit multiplier; Department of Corrections; security officers; participating service; SGF transfer