UPDATED
SESSION OF 2018

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2448

As Amended by House Committee of the Whole

Brief*

HB 2448, as amended, would require the Department of Corrections (Department) to affiliate as an eligible employer with the Kansas Police and Firemen's Retirement System (KP&F), beginning on January 1, 2019, for those positions classified as a "security officer," as that term would be defined by the bill. Currently, employees in Correctional Groups A and B pay contributions into the Kansas Public Employees Retirement System (KPERS or the Retirement System) equal to 6.0 percent of compensation. The bill would increase the employee contribution level to the KP&F rate of 7.15 percent.

For FY 2019, the Department's employer contribution rate for the correctional groups is 13.21 percent, which is the same rate as for the KPERS State Group. Under the bill, the rate would increase to 18.82 percent in the second half of FY 2019.

For service time earned prior to January 1, 2019, security officers would keep the KPERS benefits they had earned. Security officers would be able to use their prior years of service for purposes of vesting and retirement eligibility in both plans. At retirement, members would receive a monthly benefit for their KPERS service and a monthly benefit for their KP&F service.

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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

Background

Representative Jennings introduced the bill, which was heard by the House Committee on Financial Institutions and Pensions (House Committee) on January 31. During the hearing, Representative Jennings spoke in favor of the bill, stating adult correctional and juvenile correctional officers experience the same exposure to danger and high stress that first responders experience. The bill would address the challenges to recruitment and retention.

Written-only testimony in support of the bill was provided by a representative of Teamsters Local Union 696, who observed the average turnover rate at state correctional facilities exceeds 32.0 percent and the starting wages for similar positions in certain urban counties are greater.

There was no opponent testimony.

A representative of KPERS provided neutral testimony explaining the current pension plans for juvenile and adult correctional positions. Employees in juvenile correctional positions are in the regular Retirement System. Employees in adult correctional positions are in either Corrections Group A (corrections officers) or Corrections Group B (other staff with direct inmate contact), commonly referred to as C55 or C60, respectively. C55 and C60 use the same benefit formula as the regular Retirement System (*i.e.*, final average salary multiplied by the number of years of service multiplied by 1.85 percent). Since 2009, C55 members are eligible for full retirement at age 55 with 10 years of service, and C60 members are eligible for full retirement at age 60 with 10 years of service. KPERS members are eligible for full retirement at age 65 with 5 years of service or at age 60 with 30 years of service.

Many elements in the KP&F plan are different. The final average salary is calculated differently, and the multiplier is 2.5 percent instead of 1.85 percent. The vesting requirement is 15 years of service. Full KP&F retirement is at age 50 with

25 years of service, age 55 with 20 years of service, or age 60 with 15 years of service.

A representative of the Kansas Organization of State Employees provided written-only neutral testimony, observing the workplace for correctional officers is unique and dangerous.

On February 5, the House Committee amended the bill to:

- Change the affiliation date for the Department from July 1, 2018, to January 1, 2019;
- Clarify the job positions specified in the definition for “security officer”; and
- Allow security officers, when vested in both retirement plans, to be eligible to receive benefits from KPERS and KP&F at the time of normal retirement under KP&F.

According to the fiscal note prepared by the Division of the Budget, in consultation with KPERS, the bill, as introduced, would increase contributions expenditures by approximately $4.99 million from all funds, including $5.36 million from the State General Fund (SGF) for FY 2019. Currently, the KP&F employer contribution rate is 20.05 percent; it is estimated the bill would decrease the rate to 18.82 percent for KP&F affiliated employers. Additional expenditures for employer contributions are not included in *The FY 2019 Governor’s Budget Report*. Since the bill, as amended, would set the affiliation date for the Department midway through FY 2019, the above estimates would no longer be applicable.

KPERS indicated the bill would not increase the unfunded actuarial liability (UAL) of KP&F, and the change would result in a decrease to the State Group’s UAL of $17.0

million. According to the actuarial valuation of December 31, 2016, the UAL for the State Group was $922.0 million.

A revised fiscal note was issued after the House Committee of the Whole action on the bill. According to the fiscal note prepared by the Division of the Budget, the bill, as amended by the House Committee and House Committee of the Whole, would increase contributions expenditures by approximately $2.50 million from all funds, including $2.68 million from SGF for FY 2019. Currently, the KP&F employer contribution rate is 20.05 percent; it is estimated the amended bill would decrease the rate to 18.82 percent for KP&F affiliated employers. Additional expenditures for employer contributions are not included in *The FY 2019 Governor's Budget Report*.

No modifications were made to the information submitted previously by KPERS regarding the UAL of KP&F.