

SESSION OF 2021

SUPPLEMENTAL NOTE ON SENATE BILL NO. 265

As Recommended by Senate Committee on
Financial Institutions and Insurance

Brief*

SB 265 would authorize the Governor's allotment for the Kansas Public Employees Retirement System (KPERs) Death and Disability Program and institute a moratorium on all payments made by KPERs employers for Fiscal Year (FY) 2021.

Background

The bill was introduced by the Senate Committee on Ways and Means at the request of Senator Hawk.

The Governor's July 2020 State General Fund Allotment Plan included a moratorium on the State employer contributions to the KPERs Death and Disability Trust Fund for all of FY 2021. The allotment applies to both State and school employers. The allotment authority of the Governor does not apply to local employers.

***Senate Committee on Financial Institutions and
Insurance***

In the Senate Committee hearing, a representative of KPERs provided neutral information regarding the KPERs Death and Disability Plan, noting this plan provides basic life insurance and long-term disability benefits to all KPERs members. All KPERs employers contribute a statutory 1.0

*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>

percent of pay for the plan; there is no employee contribution. The plan is currently funded as a pay-as-you-go plan. The representative noted, however, the 1.0 percent employer contribution rate generates enough contributions for the balance of the Death and Disability Trust Fund to slowly increase over time, which allows this fund to maintain a balance during periods of employer contribution moratoria. The representative indicated, in order for the moratorium to be applied consistently to the entire KPERS group, which would be consistent with past moratoria, additional statutory language is needed.

No other testimony was provided.

Fiscal Information

According to the fiscal note prepared by the Division of the Budget, the bill would statutorily authorize the Governor's allotment for the Death and Disability Program for payments for state agencies in FY 2021. The normal cost for participating KPERS employers for the Death and Disability Program is 1.0 percent of payroll each year. The Division of the Budget estimates that, during FY 2021, total payments to the Group Insurance Reserve Fund, before the Governor's July 2020 allotment plan was implemented, was estimated to be \$60,070,659 from all funding sources, including \$47,438,029 from the State General Fund (SGF). The Governor's allotment plan suspended these Death and Disability Program payments to the fund and KPERS re-certified the employer contribution rates for all state agencies by reducing employer contributions by 1.0 percent for FY 2021. However, because the Governor's allotment authority only allows the Governor to reduce SGF appropriations for the Executive Branch, the Governor's plan reduced SGF appropriations totaling \$46,687,965 for the Death and Disability Program costs of the Executive Branch. The remaining SGF reductions of \$525,289 for the Judicial Branch and \$224,775 for the Legislative Branch were included as

overall FY 2021 revised expenditures in *The FY 2022 Governor's Budget Report*.

The fiscal note also outlines the effect on local employers, indicating the bill would reduce employer contributions to KPERS for the Death and Disability Program by 1.0 percent, from July 1, 2021, to June 30, 2022. KPERS estimates that the bill would save approximately \$20.0 million for these local KPERS employers during this period.

State budget; allotment; KPERS Death and Disability program; Group Insurance Reserve Fund