

STATE OF KANSAS



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GOVERNOR JEFF COLYER, M.D.
LARRY L. CAMPBELL, CHIEF BUDGET OFFICER

February 6, 2018

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

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2594 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2594 is respectfully submitted to your committee.

HB 2594 would allow local correctional facility employees who are detention deputies, corrections officers or jailers to be affiliated with the Kansas Police and Fireman's Retirement System (KP&F). Currently, these employees are members of the Local Group of the Kansas Public Employees Retirements System (KPERS). The bill would allow each local government employer with these types of positions to choose whether to affiliate with KP&F or not.

According to KPERS, the bill has the potential to have a fiscal effect on local employer contributions. Currently, the KP&F employer contribution rate for CY 2019 is 22.13 percent and the KPERS Local Group employer contribution rate is 8.89 percent. Local governments that choose to move their employees under KP&F would be required to pay the full KP&F contribution. However, KPERS does not possess local government position information to determine how many members would be eligible to move to KP&F. Additionally, because the decision to affiliate with KP&F for the positions in the bill is voluntary, there is no way to know in advance how many or which local employers will choose to affiliate with KP&F.

KPERS estimates that the dollar amount of the KP&F Unfunded Actuarial Liability (UAL) would not increase as a result of adding new members. However, increasing the number of KP&F active members would result in a higher total covered payroll which, in turn, would result in a decrease in the UAL rate. Additionally, the normal cost rate for KP&F could increase or decrease depending on the ages of the members who move from KPERS to KP&F. KPERS indicates the net effect on the KP&F contribution rate from any changes to the UAL rate or normal cost rate

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cannot be determined without more information about the size and demographics of the group of employees who would transfer to KP&F coverage.

The bill would also have a fiscal effect on state agencies, as KP&F uses a single uniform rate for state and local employers. However, KPERS indicates that fiscal effect on state agencies cannot be estimated without the local membership data to determine the impact on the KP&F uniform rate. HB 2594 would also have a fiscal effect on the KPERS Local Group contribution rate resulting from employees moving from KPERS to KP&F. However, the fiscal effect is unknown. Any fiscal effect associated with HB 2594 is not reflected in *The FY 2019 Governor's Budget Report*.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Campbell", written in a cursive style.

Larry L. Campbell
Chief Budget Officer

cc: Jarod Waltner, KPERS