

February 9, 2022

The Honorable Steven Johnson, Chairperson
House Committee on Insurance and Pensions
Statehouse, Room 218-N
Topeka, Kansas 66612

Dear Representative Johnson:

SUBJECT: Fiscal Note for HB 2470 by Representative Proctor, et al.

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2470 is respectfully submitted to your committee.

HB 2470 would have the Department of Corrections as an eligible employer for the Kansas Police and Fireman's Retirement System (KP&F) on July 1, 2022, and would make corrections officers eligible for KP&F members for future service. The bill would give members who move the ability to purchase KPERS service as KP&F service, which would be a new type of service purchase available only to this eligible group. For members who would not purchase service but would vest with both KPERS and KP&F service, the retirement benefit would include a benefit from both systems based on the years of service in each system.

The KPERS actuary completed a cost estimate for HB 2470. Using data from the Department of Corrections, approximately 1,600 KPERS members in the Department of Corrections would be affected by the bill. Moving corrections officers to KP&F would reduce the overall KP&F employer contribution rate because of the additional \$84.0 million in payroll that these members would add to the KP&F system. The actuary estimates that the overall state KP&F employer contribution rate would reduce from 22.86 percent to 21.40 percent from this change. However, the Department of Corrections as an employer would experience an increase in employer contributions, as this group of employees would move from the rate of 12.99 percent for KPERS to 21.40 percent for KP&F in FY 2024. Based on its current payroll base for eligible employees, the actuary estimates additional KP&F retirement contributions of \$7.7 million from the State General Fund beyond its current estimated KPERS FY 2024 employer contributions.

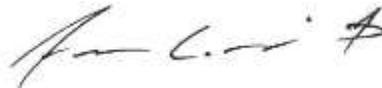
The actuary notes that other state KP&F employers would have a lower employer contribution rate, which would reduce employer contribution for these agencies by a combined

\$821,000 from all funding sources. The overall effect on state expenditures for KP&F employer contributions would be an increase of \$6.8 million from all funding sources. The Division of the Budget notes that for the overall increase of \$6.8 million from all funding sources, amounts by fund, including the State General Fund, would be dependent on how each of the other state KP&F agencies are financed.

KPERS notes that the bill would affect the KP&F employer contribution rate for local employers because of the addition of corrections officers in the overall group. Local government affiliated KP&F employers would see a reduction in the calendar year 2023 rate from 22.86 percent to 21.40 percent. A savings dollar amount was not noted by KPERS.

For administrative costs associated with the bill, KPERS estimates that an additional 1.00 FTE position would be required to provide transition and ongoing support to the Department of Corrections and its facilities and to assist with the designing and testing of the required KPERS computer systems. The agency estimates that the cost of the position would be \$78,274 from the KPERS Fund, including \$53,922 in salaries and wages, and \$24,352 for fringe benefits. The programming changes and updates to the KPERS computer systems would be made within the agency's existing operating budget. Any fiscal effect associated with HB 2470 is not reflected in *The FY 2023 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
Randy Bowman, Corrections