

February 15, 2021

The Honorable Jeff Longbine, Chairperson
Senate Committee on Financial Institutions
Statehouse, Room 235A-E
Topeka, Kansas 66612

Dear Senator Longbine:

SUBJECT: Fiscal Note for SB 135 by Senator Pittman

In accordance with KSA 75-3715a, the following fiscal note concerning SB 135 is respectfully submitted to your committee.

Under current law, employees of the Kansas Department of Corrections (KDOC) are members of either the Kansas Public Employee Retirement System (KPERS) State Group or the Corrections Groups. Both groups are part of regular KPERS. The Corrections Groups are subgroups of the KPERS State Group. Generally, the requirements for normal retirement are different under the Corrections Groups and members may retire earlier than KPERS State Group members. Eligibility for membership in the Corrections Groups is based on certain job classes that have regular contact with adult offenders.

SB 135 would make KDOC an eligible employer for the Kansas Police and Firemen's (KP&F) Retirement System on July 1, 2021 and would make "security officers" eligible for KP&F membership for future service. "Security officers" would include the following:

1. The specific positions of Corrections Officer I(A); Corrections Officer I(B); Corrections Officer II; Corrections Supervisor I; Corrections Supervisor II; Corrections Supervisor III; Corrections Counselor I; Corrections Counselor II; Unit Team Supervisor; Corrections Classifications Administrator; Juvenile Corrections Officer I(A); Juvenile Corrections Officer I(B); Captain; Major; Juvenile Corrections Officer II; Juvenile Corrections Officer III; Special Investigator II; Unit Teams Manager; Chief of Security, Enforcement; Apprehensions, and Investigations (EAI) Investigator; and EAI Investigator Supervisor;
2. Any staff member promoted prior to July 1, 2021, from a position in any job class in paragraph (1) to any position of Warden; Deputy Warden; Training Program Manager;

Training Technician; Superintendent; Deputy Superintendent; Corrections Manager I; Corrections Manager II; Staff Development Specialist; or Safety and Health Specialist; if the staff member had at least three consecutive years of service in any of the job classes in paragraph (1) immediately preceding the promotion;

3. Any staff member that directly and primarily involves the operation of power plant facilities of any correctional or juvenile correctional institution;
4. Any position that directly and primarily involves the operation of the correctional industries activity with regular contact with inmate or juvenile offenders;
5. Any position that directly and primarily involves the supervision of maintenance operations with any correctional or juvenile institution and with regular contact with inmate or juvenile offenders; and
6. Any position that directly and primarily involves the supervision of maintenance operations with any correctional or juvenile institution and with regular contact with inmate or juvenile offenders.

The Division of the Budget and the Governor would be required to include all necessary employer contributions in the budget resulting from the shift of the Department of Corrections to KP&F. After the effective date of affiliation with KP&F, security officer employees in the Department of Corrections would pay an employee contribution rate of 7.15 percent. Currently, they pay a contribution rate of 6.0 percent.

The KPERS actuary completed a cost estimate for SB 135. For employer contributions, moving the KPERS correctional and juvenile positions to KP&F would increase the KP&F payroll, but would not add any liabilities, as the bill only authorizes for future service. This results in a lower unfunded actuarial liability (UAL), as the cost of the UAL would be divided over a larger payroll base. However, there would be an increase in the “normal” retirement cost because of the additional employees who are joining at an older age than the average age of the rest of the KP&F group. The resulting KP&F employer contribution rate is estimated to reduce from 22.99 percent to 20.54 percent with the enactment of SB 135. However, for KDOC, the agency would see a net increase in employer contribution rates, as the bill would move this group of employees from the KPERS Correctional Group (“A” Group rate of 14.14 percent and “B” Group rate of 14.84 percent) to KP&F (employer contribution rate of 20.89 percent), which is a net increase of 6.05 percent to 6.75 percent, depending on the original membership of the eligible security officers.

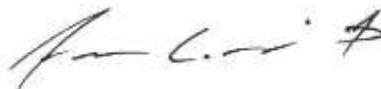
KPERS and KDOC estimate that the total employer contributions for KDOC would increase by \$8.7 million from the State General Fund with the enactment of the bill. However, KPERS notes that participating state agency KP&F employers would have a lower contribution rate, which would reduce employer contributions for these agencies by \$1.4 million. As a result, the overall effect on state expenditures for KP&F employer contributions would be an increase of \$7.3 million from all funding sources (\$8.7 million - \$1.4 million = \$7.3 million). The overall effect to the State General Fund would depend on the salary funding mix of the other participating

state agency KP&F employers. After the transfer to KP&F, no further contributions would be made on behalf of the affected employees covered by KP&F; however, vested KPERS members who transfer to KP&F would remain eligible for a KPERS benefit, based on the service accrued prior to the transfer to KP&F. KPERS also indicates any change to employer contributions for the State Group as a result of this bill would be negligible.

KPERS notes that local KP&F employers are required by statute to pay the full actuarial required contributions. Moving state employees from KPERS to KP&F would result in a decrease for the KP&F rate from 22.9 percent to 20.90 percent in calendar year 2022. This would result in reduced employer contributions for the participating 108 local KP&F employers.

For the transition and ongoing support to the Department of Corrections, KPERS estimates it would need \$67,068 for 1.00 FTE position, all from the KPERS Trust Fund. The estimate includes \$44,904 for salary and wages and \$22,164 for fringe benefits. The position would also assist with testing information technology changes. Any fiscal effect associated with SB 135 is not reflected in *The FY 2022 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