

February 22, 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 225 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 225 is respectfully submitted to your committee.

SB 225 would move certain employees of the Kansas Department of Wildlife, Parks and Tourism (KDWPT) into the Kansas Police and Firemen's Retirement System (KP&F). The bill would move employees who are law enforcement certified and working in the Parks and Law Enforcement Division to become KP&F members for future service, starting on July 1, 2021. Under current law, these employees are members in the Kansas Public Employee Retirement System (KPERS) State Group. The bill would require the Department to make application for affiliation in the KP&F Retirement System to be effective on the following July 1 of the application, which would be FY 2023 at the earliest.

The Division of the Budget and the Governor would be required to include all necessary employer contributions in the budget resulting from the affiliation of KDWPT with KP&F. After the effective date of affiliation, law enforcement officers in the Kansas Department of Wildlife, Parks and Tourism would pay an employee contribution rate of 7.15 percent. Under current law, these employees pay a contribution rate of 6.0 percent with the KPERS State/School Group.

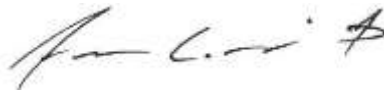
The fiscal effect from the enactment of SB 225 would be the difference between the rate that KDWPT would pay with the KPERS State/School Group and the rate the agency would pay with KP&F affiliation. The KP&F employer contribution rate for FY 2023 before KDWPT is estimated to be 22.99 percent, while the KPERS State/School Group FY 2023 employer contribution rate (including the Death and Disability Program) is estimated to be 14.86 percent. The KPERS actuary indicates that the enactment of the bill would reduce the FY 2023 KP&F rate

to 22.75 percent, or -0.24 percent. KPERS estimates that the bill would require additional employer contributions of approximately \$939,000 from all funds for the KDWPT in FY 2022 beyond KPERS employer contributions that would normally have been paid to the system. Currently, KDWPT salaries and wages are paid from special revenue funds. The additional expenditures for employer contributions would be paid from these sources.

Because KDWPT employees would be affiliating for future service only, there would be no increase in the unfunded actuarial liability for KP&F. However, adding the KDWPT to KP&F would increase the total covered payroll, which would result in the reduction of the KP&F rate by 0.24 percent. This reduction would have a fiscal effect on state agencies who are currently affiliated with KP&F, including the Kansas Highway Patrol and the Kansas Bureau of Investigation. The decrease to the FY 2023 KP&F employer contribution rate would result in a total decrease of \$143,000 from all funding sources. The reduction to the KP&F rate would also reduce local KP&F employer contributions by approximately \$1.2 million across all 108 local KP&F employers. In addition, individual KDWPT employee contributions would increase from 6.0 percent (current KPERS State/School Group employee contribution rate) to 7.15 percent (current KP&F employee contribution rate).

After the transfer to KP&F, no further contributions to KPERS would be made on behalf of the KDWPT employees. However, KDWPT employees who transfer to KP&F would remain eligible for a KPERS benefit based on service accrued prior to the transfer. As a result, any unfunded actuarial liability in KPERS for these employees who are in the system would remain in KPERS and the cost of amortizing that unfunded actuarial liability would be spread across the remaining KPERS State payroll. The KPERS actuary estimates the transfer of the KDWPT employees to KP&F would decrease the total KPERS State Group unfunded actuarial liability by \$2.5 million to \$965.5 million. Since the total covered payroll of the State Group would decline by 0.2 percent as a result of the transfer, the State/School Group actuarial contribution rate would increase by 0.02 percent, or about \$981,000. Any fiscal effect associated with HB 2678 is not reflected in *The FY 2022 Governor's Budget Report*.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS
Chris Tymeson, Wildlife, Parks & Tourism