

February 20, 2023

The Honorable Nick Hoheisel, Chairperson
House Committee on Financial Institutions and Pensions
300 SW 10th Avenue, Room 582-N
Topeka, Kansas 66612

Dear Representative Hoheisel:

SUBJECT: Fiscal Note for HB 2198 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2198 is respectfully submitted to your committee.

HB 2198 would move certain employees of the Kansas Department of Wildlife and Parks (KDWP) 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, 2023. 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 after the application.

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 KDWP with KP&F. After the effective date of affiliation, law enforcement officers in KDWP 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 HB 2198 would be the difference between the rate that KDWP 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 2024 before KDWP is estimated to be 22.86 percent, while the KPERs State/School Group FY 2024 employer contribution rate (including the Death and Disability Program) is estimated to be 13.57 percent, or a difference of 9.29 percent. The KPERs actuary estimates that the bill would require additional employer contributions of \$1,005,060 for KDWP in FY 2024 beyond KPERs employer

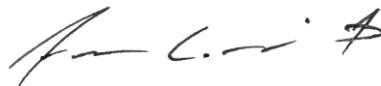
contributions that would normally have been paid to KPERS. Currently, KDWP salaries and wages are paid from special revenue funds. The additional expenditures for employer contributions would be paid from these sources.

If the bill is enacted during the 2023 Legislative Session, the systemwide effect on KP&F would first be reflected in the December 31, 2022, actuarial valuation. This valuation would set the employer contribution rate for FY 2026 for state employers and calendar year 2025 for local KP&F employers. The KDWP members are estimated to increase the FY 2026 KP&F normal cost rate by an estimated 0.07 percent; however, the additional payroll from these members would reduce the FY 2026 unfunded actuarial liability amortization by 0.20 percent, for a combined decline in the projected FY 2026 employer contribution rate of 0.13 percent (from 23.10 percent to 22.97 percent.)

After the transfer of these active members to KP&F, no further contributions to KPERS would be made on the payroll of the transferred members. However, vested KPERS members 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 attributable to inactive KDWP members would remain in KPERS and the costs of amortizing that unfunded actuarial liability would be spread across the remaining KPERS State/School payroll. The transfer of these active members to KP&F is estimated to reduce the KPERS State/School unfunded actuarial liability by approximately \$6.0 million. However, this amount would be considered negligible in relation to the overall KPERS State/School Group unfunded actuarial liability and there would be no change to the KPERS State/School employer contribution.

The Division of the Budget notes that in *The FY 2024 Governor's Budget Report*, the Governor includes funding for the conversion of KDWP officers to KP&F, as well as corrections officers in the Department of Corrections. For KDWP, the Governor includes FY 2024 expenditures totaling \$2.5 million for its officers converting to KP&F, which was from an estimate received from KPERS in December 2022. However, this estimate was not made with actuarial data. The cost estimate included in this fiscal note is based upon the most recent actuarial data.

Sincerely,



Adam Proffitt
Director of the Budget

cc: Jarod Waltner, KPERS
Terry Bruce, Department of Wildlife & Parks