

March 4, 2020

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 2678 by House Committee on Financial Institutions and Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2678 is respectfully submitted to your committee.

HB 2678 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, 2020. 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 2022 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 Group.

The fiscal effect from the enactment of the bill would be the difference that KDWPT would pay with the KPERS State/School Group and the rate the agency would pay with KP&F affiliation. According to KPERS, the KP&F employer contribution rate for FY 2022 before KDWPT is estimated to be 22.80 percent, while the KPERS State/School Group FY 2022 employer contribution rate is estimated to be 15.09 percent. The KPERS actuary indicates that the enactment of the bill would reduce the FY 2022 KP&F rate to 22.57 percent, or (0.23) percent. KPERS estimates that the bill would require additional employer contributions of approximately \$800,000

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 0.23 percent.

The reduction to the KP&F employer contribution rate described above 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 2022 KP&F employer contribution rate would result in a total decrease of \$131,000 from all funding sources. The reduction to the KP&F rate from the bill would also reduce local KP&F employer contributions; however, KPERS does not provide an estimate for this reduction for local employers. Any fiscal effect associated with HB 2678 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,

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

Larry L. Campbell
Director of the Budget

cc: Jarod Waltner, KPERS