

February 4, 2019

The Honorable Jim Kelly, Chairperson
House Committee on Financial Institutions & Pensions
Statehouse, Room 581-W
Topeka, Kansas 66612

Dear Representative Kelly:

SUBJECT: Fiscal Note for HB 2099 by House Committee on Financial Institutions & Pensions

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2099 is respectfully submitted to your committee.

HB 2099 would allow the Kansas Department of Wildlife, Parks and Tourism (KDWPT) to become an eligible employer with the Kansas Police and Firemen's Retirement System (KP&F) on July 1, 2019. KDWPT would be required to apply for affiliation with KP&F. Affiliation with KP&F would be effective on the date of July 1, following the application. Employees of the KDWPT who are certified police officers or law enforcement officers employed in the parks, public lands or law enforcement divisions on or after the date of the Department's affiliation with KP&F would become members of KP&F. Under current law, KDWPT law enforcement officers are members of the Kansas Public Employee Retirement System (KPERS) State Group. Retirement, death or disability benefits would be calculated based on future KP&F service on and after the effective date of affiliation.

The Division of the Budget and the Governor would be required to include all necessary employer contributions in the budget resulting from affiliation of the 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.

To estimate the fiscal effect of HB 2099, it is assumed the effective date of KDWPT affiliation would be July 1, 2020, or one year after the effective date of eligibility. KPERS indicates that beginning in FY 2021 the bill would reduce the KP&F employer contribution rate from 21.93 percent to 21.73 percent, or a difference of 0.20 percentage points. This would occur

in large part because of a decrease to the portion of the KP&F rate applied to the Unfunded Actuarial Liability (UAL). The employer contribution rate for the KPERS State Group is 14.23 percent for FY 2021. Beginning in FY 2021, the state would need to pay an employer contribution rate of 21.73 percent, or 7.50 percentage points more, on those KDWPT employees who would be eligible for the KP&F plan. KPERS estimates that the bill would require additional employer contributions of approximately \$700,000 from all funds for the KDWPT in FY 2021. The Department estimates that it would be able to fund the additional expenditures with projected fund balances.

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. The decrease to the KP&F employer contribution rate would result in a total decrease of \$109,000 from all funds in FY 2021. Based on salaries and wages data from the budget system, the Division of the Budget estimates that approximately \$17,800 would be from the State General Fund. Altogether, HB 2099 would result in a net increase to state employer contributions of \$591,000 from all funds and savings of \$16,330 from the State General Fund in FY 2021.

KPERS indicates that transferring certain KDWPT employees from KPERS to KP&F would not increase the total UAL of KP&F and result in only a small decrease to the KPERS State Group UAL of \$2.4 million. However, the KPERS State/School employer contribution rate would remain unchanged. KPERS also notes the reduction to the KP&F rate would affect local KP&F employer contributions. Any fiscal effect associated with HB 2099 is not reflected in *The FY 2020 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
Chris Tymeson, Wildlife, Parks & Tourism