KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

Senate Bill 260 as amended by Senate Committee on Federal and State Affairs

Summary	SB 260 would require the KPERS Board of Trustees to select a firm to perform the annual financial audit, which is currently a required audit in the Post Audit Act. KPERS already has a system in place for selecting the auditor for the annual financial audit. The bills would essentially codify the administrative actions that are already in place for the annual financial audit. The Senate Committee on Federal and State Affairs added a technical amendment to the bill.
Sponsor:	Legislative Post Audit Committee
Location:	House Committee on Federal and State Affairs
Cost:	SB 260 is not expected to require any additional expenditures.
Notes:	*HB 2441 deals with the same policy change as SB 260.*

March 2018

KPERS

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

Senate Bill 342 as introduced

Summary	SB 342 is the Kansas Cybersecurity Act. The bill would create the Chief Information Security Officer (CISO) and the Kansas Information Security Office (KISO). The bill creates the duties and powers of the CISO and KISO, including oversight and approval of cybersecurity measures at executive branch agencies, conduct security tests of the state network, and "hire, promote, suspend, demote, discipline, and dismiss" all cybersecurity positions across the executive branch, including KPERS.
Sponsor:	Senate Ways and Means Committee
Location:	Senate Ways and Means Committee
Cost:	The bill includes provisions to allow the CISO to establish fees to fund the KISO. The fee cannot exceed $700 per employee per year, which for KPERS could total approximately $70,000 to $80,000 annually.
Notes:	*HB 2331 and HB 2359 are also cybersecurity bills that have had hearings during the 2018 session.*

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

Senate Bill 395 as introduced

Summary

SB 395 as introduced would add a maximum cap on the final average salary for members hired on or after July 1, 2018 and for existing members who have participating service under a contract entered into with an affiliated employer on or after April 1, 2018. The maximum final average salary applies to the Judges' Retirement System, Kansas Police and Firemen's Retirement System (KP&F) and to KPERS members, including legislators.

As introduced, SB 395 affects final average salary calculations, which is a component of a traditional defined benefit plan like KPERS 1, KPERS 2, KP&F and Judges. However, KPERS 3 is a cash balance plan and final average salary is not used in calculating KPERS 3 benefits. Therefore, as written, there is no cap on allowable salary for KPERS 3 members. All new KPERS members are participants of KPERS 3.

Sponsor: Senate Committee on Financial Institutions and Insurance

Location: Senate Committee on Financial Institutions and Insurance

Cost:

Applying a cap on the allowable salary for final average salary calculations would change both the amount of contributions and the projected costs of future benefits. However, the number of members that are projected to reach the salary limitation is relatively small (currently about 1.7% of members) so the overall cost impact is limited.

The projected impact of SB 395 on FY 2019 employer contributions is summarized in the following table:

Estimated FY 2019 Employer Contributions

	State/School	Local	KP&F	Judges
Current FY 2019 employer contribution estimate	$408.75	$147.38	$99.07	$4.10
Projected FY 2019 employer contributions under SB 395	$408.60	$147.28	$99.06	$4.04
Difference	$(0.15)	$(0.09)	$(0.00)	$(0.06)

Over the 30-year projection period ending in FY 2048, the total projected employer contributions decrease by $5.0 million for the State/School group, $7.8 million for the Local group, $42.2 million for KP&F and $33.8 million for Judges.

The largest impact, in terms of proportion, is on the Judges group. Judges' salaries are set statutory and currently about 70% of judges' salaries are above the initial $99,636 cap.

Notes: *SB 395 has had a hearing in Committee, but no action has been taken on the bill.*

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

Substitute House Bill 2331 (As Amended by House Committee of the Whole)

Summary	House Bill 2331, as introduced, would allow for the creation of the Kansas Information Security Office (KISO). This new office would centralize cybersecurity for all executive branch agencies (including non-cabinet agencies like KPERS). The House Committee amended the bill to include the contents of HB 2359, which establishes a new Kansas Information Technology Enterprise (KITE) as a cabinet-level agency. All state agencies' information technology resources would be consolidated under the KITE, and all non-Regents Executive Branch agency information technology directors and all staff performing information technology functions would report directly to the Executive Branch Chief Information Technology Officer. The legislation seeks to consolidate and transfer all non-Regents Executive Branch IT staff, resources, functions, powers and duties to KITE under the authority of the Executive Branch Chief Information Technology Officer. While representatives have indicated non-cabinet agencies, such as KPERS, are not a priority with respect to such consolidation, the bill does not distinguish between cabinet and non-cabinet agencies. The House Committee of the Whole amended Substitute HB 2331 by exempting KPERS from inclusion in the new policy.
Sponsor:	House Committee on Government, Technology and Security
Location:	Senate Committee on Ways and Means
Cost:	Because KPERS is excluded from Substitute HB 2331, as amended by the House Committee of the Whole, there would be no cost to KPERS. If KPERS were to be included, the cost to run the new KISO is stated to be $10 million annually. However, it is not known how the costs would be allocated to each executive branch agency or how those costs would compare to KPERS' current expenditures for cybersecurity measures. In addition, the KITE provisions provide the new agency with authority to assess fees for its services. However, it is not known how the costs would be allocated to each executive branch agency or how those costs would compare to KPERS' current expenditures for information technology resources. KPERS identified potential issues that could arise from being a part of the KISO and the KITE. As a Trust Fund, there are several considerations that must be managed in order to ensure that Trust Fund assets are not being used to fund costs associated with other agencies. If assets of the trust fund were to be transferred to KITE, it is likely to be a "prohibited transaction" under IRS rules. In addition, it is not clear to what extent KPERS would retain the authority and flexibility to independently address cybersecurity issues pertinent to its operations if the centralized services do not effectively meet KPERS' needs.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

Substitute House Bill 2359

Summary	Substitute HB 2359 is the Kansas Cybersecurity Act. The bill would create the Chief Information Security Officer (CISO) and the Kansas Information Security Office (KISO). The bill creates the duties and powers of the CISO and KISO, including oversight and approval of cybersecurity measures at executive branch agencies, conduct security tests of the state network, and "hire, promote, suspend, demote, discipline, and dismiss" all cybersecurity positions across the executive branch, including KPERS. The House Committee exempted KPERS from the provisions of the substitute bill.
Sponsor:	House Committee on Government, Technology and Security
Location:	Senate Ways and Means Committee
Cost:	KPERS is exempt from the provisions of the bill; no additional administrative costs are anticipated.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2441 as amended by House Committee of the Whole

Summary	HB 2441 would require the KPERS Board of Trustees to select a firm to perform the annual financial audit, which is currently a required audit in the Post Audit Act. KPERS already has a system in place for selecting the auditor for the annual financial audit. The bills would essentially codify the administrative actions that are already in place for the annual financial audit. The House Federal and State Affairs Committee amended the bill to require that the auditing firm selected have a physical office in Kansas. However, the House Committee of the Whole removed that requirement.
Sponsor:	Legislative Post Audit Committee
Location:	Senate Committee on Federal and State Affairs
Cost:	HB 2441 is not expected to require any additional expenditures.
Notes:	*SB 260 deals with the same policy change as HB 2441.*

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2444 as introduced

Summary	HB 2444, as introduced, repeals K.S.A. 2017 Supp. 74-4921c and 74-4921d, which prohibit investment in certain companies with business operations in the country of Sudan. K.S.A. 2017 Supp. 74-4921c(m) stipulates that the divestiture requirements are removed if the Department of State and Congress determine that the government of Sudan has halted the genocide in Darfur or if the United States revokes the current sanctions. The U.S. government did revoke the economic sanctions against Sudan by U.S. Executive Order 13067 and 13412 effective October 12, 2017. For all intent and purposes, the divestiture requirements in K.S.A. 2017 Supp. 74-4921c no longer apply and the statutory language is no longer necessary. HB 2444 would remove the unnecessary language from statute.
Sponsor:	Joint Committee on Pensions, Investments, and Benefits
Location:	Senate Committee on Financial Institutions and Insurance
Cost:	To comply with the divestiture requirements in K.S.A. 74-4912c, KPERS subscribed to two, third-party research services totaling $23,415 in annual administrative costs. HB 2444 would eliminate the need for these subscriptions. KPERS' investments are affected by divestiture requirements. Precise impact on investments is not known. Estimating the annual impact of annual transaction costs for sale of "scrutinized companies" and reinvestment in other holdings is 5 to 6 basis points; annual tracking error (lost investment opportunity) in the international equity portfolio is estimated to be 30 to 50 basis points. On an international equity portfolio market value of $4.9 billion, the negative investment impact of divestiture requirements is estimated at $17.5 million to $28 million per year. Without the divestiture requirement, the transaction costs and tracking error are no longer a consideration.
Notes:	*HB 2444 has had a hearing in Senate Committee but no action has been taken by the Committee.*

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2448 as amended by House Committee of the Whole

Summary	HB 2448 as amended would make the Kansas Department of Corrections an eligible employer and affiliate with the Kanas Police and Firemen's (KP&F) retirement system on January 1, 2019 and any "security officer" who is employed by the Department of Corrections would be enrolled as a KP&F member for all future service. HB 2448 also establishes the definition of "security officer." For all service time prior to January 1, 2019, members would keep the KPERS benefit that they had earned. The member would able to use their prior years of service for purposes of vesting and retirement eligibility. At retirement, the member would have a single final average salary calculation and would receive a monthly benefit for their KPERS service and a monthly benefit for their KP&F service. The House Committee on Financial Institutions and Pensions amended the bill by: • Changing the affiliation date for the Department of Corrections from July 1, 2018 to January 1 2019; • Updating the job classifications that are included in the bill as "security officers" to reflect more current information; and • In some cases a member could be eligible to retire under KP&F but not yet met the requirements for KPERS retirement. The Committee amended HB 2448 to allow security officers to retire from KPERS when they are eligible to retire under KP&F. The House Committee of the Whole made a technical amended to the bill.
Sponsor:	Representative Jennings
Location:	Senate Committee on Financial Institutions and Insurance
Cost:	KPERS' consulting actuary completed a cost study using data provided by the Department of Corrections to estimate the actuarial cost and employer contributions if those members are moved to KP&F. Moving this group of Corrections employees to KP&F for future service increases the overall KP&F normal cost rate due to the entry age of the Corrections employees in the group (their current attained age). However, as new hires replace current Corrections employees, the normal cost rate is expected to gradually decline. Since the Corrections employees are moving to KP&F for future service only, there is no increase in the unfunded actuarial liability for KP&F. Because there is no increase in the unfunded actuarial liability but there is additional KP&F payroll, the unfunded actuarial liability (UAL) contribution rate for KP&F declines. The decline in the UAL payment rate is larger than the corresponding increase in the normal cost rate so the net impact is a decline in the KP&F uniform contribution rate from 20.05% to 18.82% for State employers, effective July 1, 2018. Based on the data provided by the Department of Corrections and using the 12/31/2016 actuarial valuation, HB 2448 is projected to increase employer contributions from the Department of Corrections by $5.6 million in FY 2019. This increase is partially offset by decrease in the employer contributions at other state KP&F agencies totaling about $566,000, resulting in a net increase of $5.0 million in KP&F employer contributions from state agencies in FY 2019. This reflects the full fiscal year cost estimate for the state. With

	a January 1, 2019 effective date, the cost would be approximately half of the cost study estimate, or about $2.5 million for FY 2019. The decline in the uniform rate also affect local KP&F employers. The uniform rate local employers would affect CY 2019 and would reduce the local KP&F employer contribution rate from 22.13% to 20.51%. Applied to the project KP&F payroll for CY 2019, the differential totals about $7.9 million less in total local KP&F contributions. After the transfer, no further contributions to KPERS would be made on behalf of the Corrections 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. The transfer of the Corrections members to KP&F has a very small impact on the KPERS State unfunded actuarial liability (a decrease of around $17 million). Therefore, any residual unfunded actuarial liability in KPERS for the transfer group will remain in KPERS, and the costs of amortizing any unfunded actuarial liability for that group would be spread over the remaining KPERS State payroll. Since the total covered payroll of the State/School group declines by 2.2% as a result of the transfer, the State/School actuarial contribution rate increases by 0.22%. While the contribution rate for KPERS state agency employers may increase by 0.22%, the rate would apply to a lower total State payroll, which results in a minimal difference in the total State contributions to KPERS. However, because of the statutory contribution rate cap, any increase would not be reflected in employer contributions immediately.
Notes:	*Other background, duplicate bills, policy origination bills etc.*

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2594 as amended by House Committee

Summary	HB 2594, as amended by House Committe, would add detention deputy, corrections officer, or jailer to the definition of "policeman" for purposes of establishing eligibility for membership in the Kansas Police and Fireman's Retirement System (KP&F). The bill defines "detention deputy," "corrections officer" or "jailer" as: • an employee assigned to a jail, adult detention center or other local correctional facility; • whose principal duties are engagement in maintaining security and control of the facility, monitoring both preconviction and postconviction inmate or prisoner behaviors and activities, enforcing the facility rules and guidelines; and • who is specifically designated, appointed, commissioned or styled by the governing body of the participating employer and certifies to the retirement system as such. The bill makes these positions eligible for KP&F coverage, but each KP&F employer with these positions will have the option of choosing to enroll the positions or not. The House Committee amended the bill to: • Include employees that work in juvenile facilities run by local units of government; and • Allow the specified employees, when vested in KPERS and KP&F, to be eligible to receive benefits from both retirement plans at the time of normal retirement under KP&F.
Sponsor:	House Committee on Financial Institutions and Pensions
Location:	House Floor
Cost:	KPERS does not have position description information for members to tell how many current members would be eligible for coverage in KP&F under HB 2594. Even if the total number of members affected was known, since the election to move to KP&F coverage is voluntary, there is no way to know in advance how many or which local employers will elect such coverage. Therefore, the number of employees who are now covered by KPERS but would move to KP&F is unknown. If the local employers affiliate for future service only we would expect no increase in the unfunded actuarial liability for KP&F to occur as a result of the passage of HB 2594. The KP&F uniform contribution rate, which impacts both State KP&F employers and local KP&F employers, consists of a normal cost rate and an unfunded actuarial liability contribution rate. If a local employer affiliates for past service, the employer is responsible for paying for the increase in the unfunded actuarial liability.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2623 as introduced

Summary	HB 2623 as introduced would amend the definition of employee for school members by specifying that any member that takes a leave of absence, except for military service, and is not currently working for an eligible employer in a covered position is not considered an employee for purposes of service credit under KPERS. Currently, if a member is on leave for longer than 10 days the member is no longer considered to be in active status. However, this requires employers to stop reporting the member's compensation during the period of administrative leave. KPERS service credit is awarded quarterly. A KPERS-School member is required to work at any point in a quarter to receive credit for that quarter. It would be possible for a person to take a leave of absence during a quarter, but still qualify to receive the quarter of service. In order to affect credited service, the member would have to be on a leave of absence for at least a full quarter. KPERS relies on employers to accurately report the status of their active members. If an employer reports to KPERS that a member is active even though the member is on a leave of absence, KPERS would not know that person was being reported incorrectly until the employer was audited by KPERS' field audit staff. Whenever a situation where a member is being reported as active incorrectly is discovered, KPERS does work to correct any mistakes that were made including adjusting member service credit and returning over-contributions to the employer and the employee. The additional language in HB 2623 codifies the administrative processes already in place.
Sponsor:	Representative Jones
Location:	House Committee on Financial Institutions and Pensions
Cost:	If a member is reported to be on a leave of absence, there are no KPERS contributions made because the member is not considered active. However, a member could be on a leave of absence for a portion of a quarter and still receive credit for that quarter, even though employer and employee contributions were made on only part of the quarter. If members are granted a full quarter of service, but only employer and employee actuarial cost to the System, although it is impossible to estimate the potential impact on funding. Any changes in actual experience would be reflected in future actuarial required contribution rates. However, the cost is not anticipated to be significant in the context of the overall System experience.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2624 as introduced

Summary	HB 2624 as introduced would change the way that Legislator compensation is counted for purposes of calculating final average salary. Currently, the compensation received by Legislators is annualized for purposes of KPERS final average salary calculation. The employee and employer contribution for Legislators is calculated on the annualized salary. HB 2624 would eliminate the annualization calculation and only allow the actual compensation received by Legislators to be counted for KPERS purposes. The currently compensation amounts for Legislators include: • Daily salary – $88.66 per legislative day ($32,360.90 annualized) • Daily expenses – $144 per legislative day ($52,560 annualized) • Non-session expenses – $354.15 bi-weekly for 20 pay periods ($7,083)
Sponsor:	Representative Jones
Location:	House Committee on Financial Institutions and Pensions
Cost:	The legislators are a small portion of the total State/School active members (138 out of a total of 106,200). As a result, HB 2624 is not expected to impact the normal cost rate for the entire State/School group. Although the dollar amount of the unfunded actuarial liability (UAL) decreases by approximately $7.0 million, the UAL contribution rate increases by 0.01% because HB 2624 reduces the State/School contribution base (total payroll) by $8 million. As a result, the actuarial contribution rate increases by 0.01% of payroll. Because of the small amount of total State/School payroll and liability being affected, the ultimate impact of a reduction in the UAL of $7 million will be largely unobservable in its impact on the valuation results.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2719 as introduced

Summary

HB 2719 would add to the definition of "service-connected" as it pertains to a death or any physical or mental disability of a KP&F members by adding hepatitis C and specifying cancers of the brain, skin, digestive system, hematological system and genitourinary system.

HB 2719 also creates the basis for establishing if the contraction of hepatitis C or the specified cancers is service-connected.

Current statutory language includes cancer as service-connected if the cancer that caused the death or disability is a type of cancer that "may, in general, result from exposure to heat, radiation, or a known carcinogen."

The changes in HB 2719 would specify the list of cancers considered service-connected as cancers of the brain, skin, digestive system, hematological system or genitourinary system. The bill also specifies that at the time of becoming a policeman or firemen, a physical examination must have been completed that failed to reveal substantial evidence of such cancer that preexisted employment.

HB 2719 also lays out the requirements for hepatitis C to be considered service connected, which include:

1. The member must report the exposure within 2 days when the member knew or reasonably should have known of exposure.
2. The employer provides a baseline test within 5 days of the member reporting exposure. The test must establish that the employee was not infected with hepatitis C at the time of the reported exposure.
3. The member must comply with all "reasonable and necessary" medical procedures.
4. The member is determined to have hepatitis C within 24 months after the reported exposure.

The language being stricken on page 4 of the bill, which was added to statute in 1993, is used to protect the System from potential abuse in extreme situations. For instance, a department hiring a police officer or firefighter with a hereditary cancer that is not at all related to a KP&F position and therefore not eligible for the cancer to be considered "service-connected." Removing the language would probably affect only a small number of members, but there would be some, likely minimal, cost impact due to removing the langue.

Sponsor: House Committee on Federal and State Affairs

Location: House Committee on Federal and State Affairs

Cost: KP&F death and disability benefits are a part of the pension plan design. Any changes to the number of KP&F members who become eligible for service connected death or disability benefits could impact the overall cost of benefits.

	Over the time period from FY 2014 to FY 2016, there were 3 KP&F non-service connected deaths and 25 KP&F non-service connected disabilities each year. This is the pool of members who would potentially be impacted by HB 2719. However, KPERS is not aware of any instances where hepatitis C was the sole cause of the non-service connected death or disability. In addition, cancer is already included in the definition of service connected death or disability under K.S.A. 74-4952, so the overall impact is estimated to be very small. Any change in the cost of benefits would be reflected in the actuarial required contributions. Since KP&F employers are required by statute to pay the full actuarial required contribution rate, HB 2719 could affect future employer contributions. However, HB 2719 is narrowly focused and would be estimated to affect a small number of KP&F members. Therefore, HB 2719 is expected to have no meaningful actuarial impact.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2720 as introduced

Summary	HB 2720, as introduced, increases the cap on KP&F benefits from 90% of final average salary to 100% of final average salary. Final average salary is one of the components of a tradition defined benefit pension plan benefit formula: final average salary X years of service X a multiplier. For KP&F, the benefit formula multiplier is 2.5%. In order to reach the current cap of 90%, a member would have to work for 36 years. Increasing the cap to 100% of final average salary would mean a member reaches the benefit cap at 40 years of service.
Sponsor:	House Committee on Federal and State Affairs
Location:	House Committee on Federal and State Affairs
Cost:	HB 2720 changes the benefit plan design for KP&F members by increasing benefits for certain members. Creating an increased benefit results in higher costs to fully fund those benefits. HB 2720 does not specify how the change in benefit plan design will be funded. Since employee contributions are statutorily set, any cost increases caused by HB 2720, as introduced, will be funded by KP&F employers. KPERS' consulting actuary completed a cost study on the provisions of HB 2720. The cost study indicates that increasing the cap on KP&F benefits would result in: • An increase of $2.8 million in the KP&F unfunded actuarial liability. • An increase the unfunded actuarial liability contribution rate for KP&F employers by 0.05%. • An increase in the employer normal cost rate of 0.01%. The total increase in the KP&F contribution rate if the cap on benefits is raised to 100% is estimated to be 0.06%. The additional employer contributions would first be reflected in the FY 2019 employer contribution rate for state KP&F employers and CY 2018 for local KP&F employers. For State KP&F employers, this would adjust the employer contribution rate for FY 2019 from 20.05% to 20.11%.
Notes:	

KANSAS PUBLIC EMPLOYEES RETIREMENTS SYSTEM

LEGISLATIVE SUMMARY

2017-2018 Biennium

House Bill 2764 as introduced

Summary	House Bill 2764 as introduced would certain employees of the Kansas Department of Wildlife, Parks and Tourism members of KPERS for future service. Employees who are law enforcement certified and working in the parks and law enforcement divisions would become KP&F members for future service starting July 1, 2018.
Sponsor:	House Appropriations Committee
Location:	House Committee on Financial Institutions and Pensions
Cost:	According to the actuarial cost study, the normal cost rate increases by 0.04% when the KDWPT employees are combined with the current KP&F active membership. Because they are affiliating with KP&F for future service only, the member's attained age is their "entry age," for purposes of our calculations. As a result, the normal cost rate for the KDWPT group is higher than the normal cost rate for the entire KP&F group. Over time, as new hires are added to the KDWPT group, the entry age and the normal cost rate are expected to decline. Because the KDWPT employees are affiliating for future service only for benefit purposes, there is no increase in the unfunded actuarial liability (UAL) for KP&F. However, adding the KDWPT payroll increases the total covered payroll for KP&F, which results in a decline in the UAL payment rate of 0.20%. The UAL decline is larger than the corresponding increase in the normal cost rate so the net impact is a decline in the KP&F uniform contribution rate from 22.11% to 21.95%. Note that this lower uniform contribution rate would also apply to Local employers participating in KP&F, and therefore, the net result is a shift of costs to the State from the Local employers. The total KP&F employer contributions increase from $115.5 million to $116.2 million, a net increase of about $645,000. The KDWPT's contributions to KP&F are estimated to be $1.5 million, which includes $1.0 million that would have been paid as KPERS contributions and an additional $0.5 million due to their coverage in KP&F and the higher KP&F employer contribution rate. Other state KP&F employers (such as the Kansas Highway Patrol and Kansas Bureau of Investigation) would realize a reduction in their KP&F contributions equal to 0.16% of payroll, or approximately $76,000. The net change in state contributions is an increase of $0.4 million ($0.5 million increase in KDWPT minus $0.1 million other State employers decrease). After the transfer, 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. Therefore, any unfunded actuarial liability in KPERS for these employees who are in the System will remain in KPERS and the cost of amortizing that unfunded actuarial liability would be spread across the remaining KPERS State payroll. The transfer of the KDWPT employees to KP&F has a small impact on the KPERS State unfunded actuarial liability (a decrease of around $4.1 million). Since the total covered payroll of the State group declines by 0.7% as a result of the transfer, the State KPERS actuarial contribution rate increases by 0.03%. The State/School actuarial contribution rate is unchanged.
Notes:	