

## MEMORANDUM

To: Senate Ways and Means Committee

From: Alan D. Conroy, Executive Director

Date: March 7, 2019

Subject: Senate Bill 210

Senate Bill 210 amends K.S.A. 74-4911 by adding a new KPERS membership date for employees employed in direct support positions at Community Developmental Disability Organizations. Employees in direct support positions would become KPERS members on the first day of the payroll period after completing a 2-year period of training. During the 2-year training period, there would be no employer or employee contributions.

Affected employees would have the option to purchase service for the 2-year training period after becoming a member. However, all of the people newly hired into the direct support positions would be KPERS 3 members and years of service is not used directly in the calculation of benefits like it is for KPERS 1 and KPERS 2 members.

The Community Developmental Disability Associations who are eligible for the 2-year period of training are organized under K.S.A. 19-4001 and defined under K.S.A. 39-1803. KPERS does not have an identifier in our employer database for these specific agencies, but we believe there are 18 agencies that would be eligible (out of more than 1,400 local employers).

The total number of employees at those 18 employers is approximately 2,000, but not all of those would be direct support positions. There are about 38,000 total active Local group members.

### **Current Law**

Currently, when an employee is hired into a KPERS position, they immediately become a member of the System. Both employer contributions (6%) and employee contributions (8.89% in CY 2019) are made from the date the member is hired.

If a member leaves their KPERS position before reaching vesting (5 years of service) they are not eligible for a lifetime benefit. That member can leave their contributions with KPERS or choose to withdraw. If the member withdraws, they receive all of their employee contributions plus interest earned on those contributions (4% guaranteed and possible additional interest for KPERS 3 members depending on investment returns). Employer contributions for that member stay with the System; they are not refunded.



**Past Waiting Period**

Prior to July 1, 2009 employees in non-School KPERS positions had a one year waiting period before they became members in KPERS. The year of waiting was an eligible service purchase for affected members.

**Cost Impact**

Senate Bill 210 does not add or eliminate members from KPERS, it just delays the membership of one group of employees. Initially, there could be changes to total covered payroll, which can impact the required local employer contribution rate.

However, the size of the group is estimated to be small in relation to the entire Local group (38,000 total active KPERS members) so if there is an impact on future employer contribution rates due to the change, it is expected to be very small.

The new membership rules would require some upgrades to KPERS information technology system, changes to employer and employee publications, and educational efforts for the affected employers and members. However, KPERS will be able to absorb with costs within existing resources.

I would be pleased to respond to any questions the Committee has regarding Senate Bill 210.