

STATE AFFAIRS COMMITTEE
February 29, 1968

The meeting was called to order by the Chairman and Senator Sebelius was introduced to discuss SB 491. He explained that this would amend the liquor control act, to close liquor stores on Veterans' Day; that he has talked to many people in his area and they would like to have this amendment. Mr. Kessinger inquired if this would affect military posts, and Mr. Sebelius stated it would not. Mr. Mikesic asked if this would tighten the liquor traffic, and Mr. Sebelius stated that no member of the industry had approached him in opposition.

Mr. Corkhill appeared to discuss SB 524 (see folder in exhibits), stating that on the recommendation of the actuary and advisors, this bill restructures the system to permit more of the funds to be invested, and a little more leeway in the investment; that the actuary advises that this is sound financially. He stated that this will increase the employer contribution up to where it was originally set and the employee contribution would remain as it is; that this will of course, result in a better retirement rate for employees--in fact a 25 to 32% increase over what it is now. He pointed out there is a penalty clause for intentional fraud on the part of the employee and described the process for termination of employment and withdrawing funds that have accumulated; explaining that there is 120 day period during which he may go back to work for another covered employer and lose no benefits, but after that time he must take his accumulated funds and if he goes to work later for a covered employer, he will be on a one-year probationary period before he can come under KPERS again.

Mr. Coldsnow appeared to discuss HCR 1090, explaining that it proposes to amend Article 8 of the Constitution by designating certain taxes (income and sales) for education; that this could likely put 25.3 million additional dollars into the school programs, which falls about a million short of the McLure plan. He stated this is an opportunity for the people to have a voice in the matter of education. He stated this would designate 85% of the sales tax and all of the income tax for this purpose. The Chairman asked if this sets up a fund believed to be adequate for education and earmarked for that specific purpose, and people would know where it came from. Mr. Coldsnow stated that he was not saying that it will be adequate, but that yes, they could tell where it came from. Mr. McCray stated that the McLure plan was for secondary and elementary education and wondered how this would be split up. Mr. Coldsnow stated that this would be left to the wisdom of the legislature. Mr. Bunten inquired if the people failed to approve it, what it would mean, and Mr. Coldsnow stated it would be a barometer for the legislature.

Mr. Gene Hiatt appeared to explain SB 649 (see attached) dealing with retirement of Police and Fireman's Retirement System, stating that this proposes to amend the bill back to the original intent of the legislation; that the additional cost is minimal. Both Mr. Corkhill and Mr. Mosher (with the League of Kansas Municipalities) concur that this was the original intent and do not oppose this proposal. It also deals with credit for prior service.

Mr. Unruh explained HCR 1081, stating that it deals with some of the things Mr. Coldsnow was talking about; that his people at home are concerned about no guarantee that their local taxes would be decreased even if these monies were designated. He stated that he realized that it is unlikely that anything would happen if this gets to the floor of the House, but that he would hope for the kind of publicity that would result in people having a better understanding; that it would restrict the use of local taxes, for example, for capital improvements. He stated that it would also spread the wealth of the utilities throughout the state instead of concentrating it where the utility is located.

The Chairman stated that he would like for the members to study these matters and be prepared to take action. He asked if they wanted to take action of SB 491. Mr. Unruh moved that it be reported adversely. Motion was seconded by Mr. Buchele and carried with 9 yes votes--no one voting in opposition.

Meeting was adjourned.

MARTIN E. SEGAL COMPANY

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BOSTON
CHICAGO
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LOS ANGELES
PHOENIX
SAN FRANCISCO

December 11, 1967

Mr. John K. Corkhill
Executive Secretary
Kansas Police and Firemen's
Retirement System
State Office Building
Topeka, Kansas

Re: Crediting Non-Continuous Prior Service

Dear John:

In a letter dated December 4, 1967 we were asked to determine the cost implications and desirability of crediting non-continuous prior service with the entry date employer, under the Police and Firemen's Retirement System. We were provided with a listing of members who would be affected by such a provision.

Our review of the basic data for twenty members indicated that one individual (Capt. E. L. Durkee, Junction City) did not have discontinuous periods of prior service. His continuous service, we believe, should be shown as commencing March 11, 1950. We have assumed that the remaining nineteen members represent all the currently active employees who would be entitled to additional credit. Since the data received for our June 30, 1967 valuation shows a total of 475 members of the System, the group affected by the proposed rule represents 4% of the total covered.

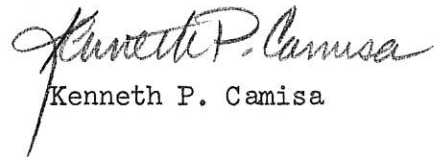
These 19 members are on the average 35.8 years old and have 6.6 years of service as of June 30, 1967 (not counting discontinuous prior service). They are, in these respects, a fairly representative group of the total active employees.

Our actuarial calculations assume that employees will retire upon attainment of age 55 or the completion of 20 years of service if later. On this basis, these 19 employees will have aggregate service credit, under current rules, of 496 years at their retirement ages, an average of about 26 years. Allowing credit for discontinued periods of prior service would add 34 years of service at retirement, for an aggregate of 530 years of service. This amounts to about a 6.9% increase in the normal retirement benefits for the 19 employees. For the entire active group the increase amounts to less than .3%.

Of course this percentage does not represent an increase in the value of all benefits. Service connected death and disability benefits and a portion of the non-service connected death and disability benefits are unrelated to credited service. Thus the percentage increase in total benefits attributable to the liberalization of prior service credit is well under .3%. Since the age and service of the 19 employees gaining extra credit are representative of the overall active group, the effect on cost is also under .3% of the original cost. Assuming the cost averages under 30% of salary, the increase represents less than .1% of salary.

Because the cost of the proposed liberalization is minimal and its objective is consistent with the intent of the original legislation, we think that the change is desirable and should be seriously considered. We would like to point out that the additional cost resulting from adoption of the provision could be treated in either of two ways. It can be charged directly to the employers whose employees are affected through adjustment of the prior service liability, or it can be spread among all participating employers as part of the normal cost.

Sincerely,


Kenneth P. Camisa

KPC:ed

SALES, USE, AND INCOME TAXES CREDITED TO GENERAL FUND
AND CERTAIN EDUCATION PROGRAMS FINANCED FROM GENERAL FUND*

(In Thousands of Dollars)

for 1090

	Fiscal 1967 <u>[ACTUAL]</u>	Fiscal 1968 <u>[As RECOMMENDED IN Gov's BUDGET REPORT FOR FY 69]</u>	Fiscal 1969
A. Tax Revenue			
Sales and Use	\$118,109	\$122,420	\$126,750
Individual Income	71,028	57,717	65,675
Corporation Income	20,229	17,235	17,500
Financial Institutions	1,851	1,500	1,900
TOTAL	\$211,217	\$198,872	\$211,825
B. State Aid to Schools			
Foundation Program	\$ 86,636	\$ 89,800	\$ 91,400
Special Education	1,736	2,085	2,309
AVT Schools	471	1,307	1,630
Junior Colleges	1,298	1,457	1,604
Municipal Universities	270	442	486
Vocational Education	257	381	401
Manpower Training	46	50	59
TOTAL	\$ 90,714	\$ 95,522	\$ 97,839
C. Board of Regents Institutions ^(a)	\$ 54,814	\$ 65,054	\$ 67,896
D. Certain Other Education Costs ^(b)			
School Retirement Board	\$ 4,262	\$ 4,813	\$ 5,264
Department of Public Instruction	869	972	1,032
Board for Vocational Educa- tion	611	595	686
Schilling Institute	198	497	543
Research Foundation	144	134	138
Higher Education Facilities Commission	3	7	8
TOTAL	\$ 6,087	\$ 7,018	\$ 7,671
Total of B and C	\$145,528	\$160,576	\$165,785
Percent of A	68.9%	80.7%	78.3%
Total of B, C, D	\$151,615	\$167,594	\$173,456
Percent of A	71.8%	84.3%	81.9%

* SOURCE: Governor's Budget Report, 1969, Schedules V, XII, and XIV.

a) Board of Regents and all institutions thereunder except blind and deaf schools. Includes capital improvements.

b) Excludes State Library, industrial schools for boys and girls, and minor grants.