Approved February 5, 1985
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS.

The meeting was called to order by VICE-CHAIRMAN VERN WILLIAMS (Chairperson) at 9:00 a.m. a.m./p.m. on Tuesday, February 5, 1985 in room 527-S of the Capitol.

All members were present except:
Representatives Bob Ott and Mike Peterson - Excused.

Committee staff present:
Alan Conroy
Richard Ryan
Gordon Self
Rosalie Black

Conferees appearing before the committee:

Clarence Turpin, Kansas City Retired Teachers Association
Etta Blanche Dahlgren, Kansas City Retired Teachers Association
Marshall Crowther, Executive Secretary, KPERS
Alan Conroy, Kansas Legislative Research Department

The meeting was called to order by Vice-Chairman, Vern Williams.

Minutes of the January 31, 1985, meeting were approved.

HOUSE BILL 2017 - HEARING & ACTION (Hearing continued from Jan. 31, 1985)

Clarence Turpin, speaking in support of House Bill 2017, introduced Etta Blanche Dahlgren who indicated the need to treat teachers teaching from September 1971 to September 1981 equitably with current teachers concerning retirement benefits.

Representative Wisdom moved to amend HB 2017 to allow KPERS to pay from the KPERS fund to the Kansas City school board funds to make increased payments payable to local school annuitants; seconded by Representative Laird. The motion failed. Attachment 1.

Marshall Crowther explained that the Kansas City retirement system originated before KPERS and is different than any other teachers retirement system in the state. He indicated it would cost $133,000 annually to implement Representative Wisdom's amendment.

Representative Wisdom moved that HB 2017 be reported favorable for passage; seconded by Representative Sand and passed.

Alan Conroy discussed Proposal No. 38, Retirement Date for Sheriffs; and Proposal No. 39, Retirement Date for Teachers from the House Standing Committee on Pensions, Investments and Benefits. Attachment 2.

The meeting adjourned at 10:00 a.m.

VW
2/6/85

Please PRINT Name, Address, the organization you represent, and the Number of the Bill in which you are interested. Thank you.

Feb. 5, 1985

NAME	ADDRESS	ORGANIZATION	BILL NO.
Clarence L. Turpin	1019 Haskell KCK	KCK area Retired Teacher	2017
Etta Blanche Dahlgren	4326 Waverly	"	"
RUTH E. POTTS	7732 CORONA	KCK Area Retired Teachers	2017
Loren L. French	2011 N 49 Terr	KCK Area Ret. Teachers	2017
Hazel Hawke	7835 Sandusky 66112	K.C.K. area Ret. Teachers	2017
[illegible]	Lawrence	KPERS	
Jack Horn	Topeka	"	
Marc Bordman	"	"	
J.D. Wilkin	Topeka	SRK	—

Wisdom Amendment

Attachment I

Session of 1985

HOUSE BILL No. 2017

By Special Committee on Pensions, Investments and Benefits

Re Proposal No. 39

12-19

AN ACT relating to retirement benefits; concerning post retirement benefit adjustments and retirement dividend payments for local school annuitants; amending K.S.A. 74-49,109 and K.S.A. 1984 Supp. 74-4947 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 1984 Supp. 74-4947 is hereby amended to read as follows: 74-4947. (1) (a) The retirement benefit, pension or annuity payments accruing after June 30, 1982, to each retirant and each local school annuitant entitled to receive such payments on June 30, 1981, shall be increased by an amount equal to 10% of the retirement benefit, pension or annuity payment in effect on June 30, 1982, from the retirant's retirement system or the local school annuitant's separate retirement system maintained by a local school district and shall be paid by such retirement system to the retirant or by such separate retirement system maintained by a local school district to the local school annuitant during such period. All such increased payments to local school annuitants shall be paid by the local school district maintaining a separate retirement system and such payments shall be ~~made at no additional cost to any employer other than the local school district.~~ financed as provided in subsection (1)(c)

(b) The retirement benefit, pension or annuity payments accruing after June 30, 1984, to each retirant and each local school annuitant entitled to receive such payments on June 30, 1981, shall be increased by an amount equal to 10% of the retirement benefit, pension or annuity payment in effect on June 30, 1984, from the retirant's retirement system or the local school annuitant's separate retirement system maintained by a local

Attachment 1

school district and shall be paid by such retirement system to the retirant or by such separate retirement system maintained by a local school district to the local school annuitant during such period. All such increased payments to local school annuitants shall be paid by the local school district maintaining a separate retirement system and such payments shall be ~~made at no additional cost to any employer other than the local school district~~.

financed as provided in subsection (1)(c)

(c) On or before September 1 of each year, the Kansas public employees retirement system shall pay from the Kansas public employees retirement fund to the board of education of the school district maintaining a separate retirement system, an amount equal to the annual amount required to make the increased payments payable to local school annuitants under subsections (1)(a) and (1)(b) during the twelve-month period ending on the preceding June 30. The board of education of such school district shall certify by August 1 of each year to the Kansas public employees retirement system all information necessary for the administration and determination of the annual amount to be paid to such school district under this subsection.

(2) As used in this section:

(a) "Retirant" means (i) any person who is a member of a retirement system and who retired prior to July 1, 1981, (ii) any person who is a special member of a retirement system and who retired prior to July 1, 1981, and (iii) any person who is a joint annuitant or beneficiary of any member described in clause (i) or of any special member described in clause (ii);

(b) "retirement system" means the Kansas public employees retirement system, the Kansas police and firemen's retirement system, the state school retirement system and the retirement system for judges.

(c) "Local school annuitant" means ~~(1)~~ *(i)* any person who is an annuitant with 10 or more years of service who is receiving an annuity from a school district maintaining a separate retirement system and whose annuity is not included, in whole or in part, in payments made to such school district under K.S.A. 72-5512b and amendments thereto and who is not a member of a group I or of group II as defined in K.S.A. 72-5518 and amendments thereto, and ~~(2)~~ *(ii)* any person who is receiving an annuity from a school district maintaining a separate retirement system which is receiving an aggregate payment from the Kansas public employees retirement system under K.S.A. 72-5512b and amendments thereto~~, and who retired prior to September 1, 1971~~.

Sec. 2. K.S.A. 74-49,109 is hereby amended to read as follows: 74-49,109. As used in this act:

(a) "Retirant" means (1) any person who is a member of a retirement system and who has retired, (2) any person who is a special member of a retirement system and who has retired, (3) any person who is a joint annuitant or beneficiary of any member described in *clause* (1) or of any special member described in *clause* (2), (4) any local school annuitant, and (5) any insured disability benefit recipient.

(b) "Retirement system" means the Kansas public employees retirement system, the Kansas police and firemen's retirement system, the state school retirement system, the Kansas highway patrol pension fund, the Kansas bureau of investigation pension fund, the Kansas retirement fund for judges, or the Kansas retirement fund for official court reporters.

(c) "Local school annuitant" means (1) any person who is an annuitant with ~~ten (10)~~ *10* or more years of service who is receiving an annuity from a school district maintaining a separate retirement system and whose annuity is not included, in whole or in part, in payments made to such school district under K.S.A. 72-5512b *and amendments thereto* and who is not a member of a group I or of group II as defined in K.S.A. 72-5518 *and amendments thereto*, and (2) any person who is receiving an annuity from a school district maintaining a separate retirement system which is receiving an aggregate payment from the Kansas public employees retirement system under K.S.A. 72-5512b~~, and who retired prior to September 1, 1971~~ *and amendments thereto*.

(d) "Insured disability benefit recipient" means any person receiving an insured disability benefit under K.S.A. 74-4927 *and amendments thereto*.

Sec. 3. K.S.A. 74-49,109 and K.S.A. 1984 Supp. 74-4947 are hereby repealed.

Sec. 4. This act shall take effect and be in force from and after its publication in the statute book.

Alan Conroy -
Attachment 2

RE: PROPOSAL NO. 38 — RETIREMENT DATE FOR SHERIFFS

The House Standing Committee on Pensions, Investments and Benefits was directed under Proposal No. 38 to:

> Review the normal retirement date for sheriffs who are members of the Kansas Public Employees Retirement System (KPERS) and determine the fiscal impact on local units of government and KPERS of any proposed changes.

Background

Prior to January 1, 1967, sheriffs' deputies in Kansas were members of KPERS nonschool and sheriffs, as elective officers, could choose to become members of KPERS. On January 1, 1967 the Kansas Police and Firemen's Retirement System (KP&F) came into existence. When KP&F was created, counties were offered an election to retain their sheriffs' personnel in KPERS nonschool or bring them under KP&F. To date only three counties have elected to bring their personnel under KP&F; they are Johnson, Sedgwick, and Sumner. In addition, by law the County Law Enforcement Agency for Riley County is also under KP&F. S.B. 682 was considered during the 1984 Legislative Session which would have given counties another retirement option for their sheriffs and deputies by allowing benefits similar to those for state correctional employees. The 1982 Legislature, rather than placing certain correctional employees under KP&F, decided to retain them in KPERS, but with improved early retirement and disability benefits. 1984 S.B. 682 would have granted these same enhanced benefits to sheriffs and their deputies if their local county commission approved the change.

The following information highlights some of the major differences between the KPERS nonschool system, the special group of state security or correctional employees within KPERS, and KP&F.

Attachment 2

Employer Contribution

The employer contribution for KPERS and KP&F are determined by the amount required to pay current service liabilities and fund prior service costs. The employer contribution for state correctional or security officers depends, in part, on the individual's position. Three employee groups have been established within the special correctional group. Group A security officers include all corrections officers, corrections supervisors, corrections counselors, unit team managers, and classification administrator-corrections. Group B security officers include individuals that have regular contact with inmates and who work in the power plant, correctional industries, food services, and maintenance. Group C security officers include other employees of the Department of Corrections who have regular contact with inmates. The employer contribution rate is:

	FY 1986
KPERS Nonschool	4.9%
Security Officers Group A	7.7%
Security Officers Group B	5.9%
Correctional Employees Group C	4.9%
KP&F Local Average	16.8%

Each employer within KP&F has a separate rate, however, the first year is statutorily set at 16 percent.

Employee Contribution

KPERS-nonschool — 4 percent of gross compensation immediately preceding retirement.

Security Officers — 4 percent of gross compensation.

KP&F — 7 percent of gross compensation. However, after 35 years of credited service or attainment of age 60 and 20 years of credited service, the rate drops to 2 percent.

Required Service

KPERS-nonschool — No required number of years.

Security Officers — Members in Groups A and B are required to have at least three consecutive years experience in a correctional position immediately preceding retirement.

KP&F — 20 years of service.

Vesting of Benefits

KPERS-nonschool — 10 years credited service.

Security Officers — 10 years credited service.

KP&F — 20 years credited service.

Members of one of the above systems, including the Judges Retirement System, who were members of either of the other systems, may combine service credit for vesting under all systems for which they have credit.

Normal Retirement Age

KPERS-nonschool — 65 years of age.

Security Officers:

Group A — 55 years of age.
Group B — 60 years of age.
Group C — 65 years of age.

KP&F — 55 years of age.

Minimum Retirement Age

KPERS-nonschool — 60 years of age, early retirement with 10 years of credited service. Benefit is reduced by .3 percent for each month under age 65.

Security Officers:

Group A — 50 years of age.
Group B — 55 years of age.
Group C — 60 years of age.

Early retirement permitted with at least 10 years credited service. Benefit is reduced by .6 percent for each month under age 65.

KP&F — 50 years of age, after 20 years of service with reduced benefit.

Mandatory Retirement

KPERS-nonschool — No mandatory retirement.

Security Officers — No mandatory retirement.

KP&F — No mandatory retirement age except for Highway Patrol (age 60) and KBI (age 65); however, no credit earned after 60 except for employees who do not have the required 20 years of service. Employee must make contributions as long as employed as policeman or fireman (at age 60 with 20 years of service, or 35 years of service, any age, the rate is reduced to 2 percent).

Benefit Basis

KPERS-nonschool — Final average salary (FAS). Average highest five years of participating service. However, members eligible for a long-term disability, who were disabled for at least five years immediately before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.

Security Officers — Final average salary (FAS). Average highest five years of participating service.

KP&F — Final average salary (FAS). Average highest three of last five years of participating service.

Basic Retirement Benefit

KPERS-nonschool — Prior service — 1 percent FAS for each year of prior service for persons retiring on or after 7-1-81; otherwise, 1 percent prior service salary (highest salary paid in one of the immediately preceding three years before entry date). Participating service — 1 1/4 percent FAS for each year of participating service prior to July 1, 1982; 1.4 percent for service credited after June 30, 1982; 1.4 percent FAS for all years of participating service for members who retire on or after July 1, 1989 with at least 25 years of such service. No minimum — no maximum.

Security Officers — Same as KPERS-nonschool.

KP&F — 2 percent FAS per year of service not to exceed 70 percent FAS.

Death-Duty Caused

KPERS-nonschool — Definition: Service-connected accident.

Death Benefits — Duty Caused

Spouse: 50 percent FAS less any amount paid or payable under Worker's Compensation ($100 minimum per month), until death or remarriage, and a $50,000 lump sum payment.

Each Child: None.

Family Maximum: 50 percent FAS.

Children, No Spouse: Same as spouse, until youngest child attains age 18.

Beneficiary: Return member's actual contributions plus interest. Insured death benefit — 100 percent annual rate of compensation (ARC) if member under age 70 (100 percent limitation eliminated in 1982 subject to availability of funds and KPERS Board approval). If no spouse or children, service-connected accident benefits payable to dependent parents.

Security Officers — Same as KPERS-nonschool.

KP&F — Definition: Service-connected accident; for members with five or more years of credited service, heart and lung disease is presumed service connected.

Spouse: 50 percent FAS, until death or remarriage.

Each Child: 10 percent FAS per child, until age 18.

Family Maximum: 75 percent FAS.

Children, No Spouse: 50 percent FAS + 10 percent FAS per child.

Beneficiary: If no spouse or children, return member's actual contributions plus interest credited after June 30, 1982 to beneficiary.

Death Benefits — Non-Duty

KPERS-nonschool — Return member's actual contributions plus interest. Insured death benefit of 100 percent ARC payable to beneficiary if member under age 70 (100 percent limitation eliminated in 1982 subject to availability of funds and KPERS Board approval). If over age 60, with ten years credited service and spouse is sole beneficiary, spouse may elect payment under Option A rather than lump sum return of actual contributions.

Security Officers — Same as KPERS-nonschool.

KP&F:

Under 5 Years Service: Return of member's actual contributions plus interest credited after June 30, 1982 to beneficiary.

5 Years or More Service: Spouse receives lump sum of 50 percent FAS, plus 2 percent FAS per year of service (payable at spouse's age 50 unless there are unmarried children under age 18). If no spouse or children return member's contributions with interest to beneficiary.

Death Benefits — After Retirement

KPERS-nonschool — None unless option is selected. If no option selected beneficiary receives amount remaining, if any, of member's actual contributions less retirement benefits paid to deceased member. Lump sum death benefit of $1,000.

Security Officers — Same as KPERS-nonschool.

KP&F — None unless option is selected. Lump sum death benefit same as KPERS-nonschool. However, the lump sum death benefit is offset by any funeral benefits payable by local KP&F plans.

Disability — Duty Caused

KPERS-nonschool — Definition: Totally and permanently disabled after 180 consecutive days regardless of cause. May be either physical or mental.

Security Officers — Definition: Totally and permanently disabled as a correctional employee. May be physical or mental but must be caused by service-connected accident. For members with five or more years of credited service, heart and lung disease is presumed service-connected.

KP&F — Definition: Totally and permanently disabled as a policeman or fireman. May be physical or mental but must be caused by service-connected accident. For members with five or more years of credited service, heart and lung disease is presumed service-connected.

Disability Benefit — Duty Caused

KPERS-nonschool:

Employee: 55 percent ARC (60 percent effective January 1, 1985), reduced by one-half Workers' Compensation and total of primary Social Security or any other employer provided benefits after 180 days disability ($50 minimum). Continued group life insurance coverage. Participating service credit granted during period of total disability. Insurance benefits and coverage ends at age 70 or retirement, whichever first occurs. Disabilities occurring after age 60 receive benefits to the earlier of (1) termination, (2) age 70, or (3) five years.

Each Child: None.

Family Maximum: 55 percent ARC.

Offset: As described above.

Minimum: $50 per month.

Disability Benefit — Non-Duty: Same as duty caused.

Security Officers:

Disability Benefit — Duty Caused

Employee: 50 percent FAS. (Effective July 1, 1982 to July 1, 1986.)

Each Child: 10 percent FAS.

Family Maximum: 75 percent FAS.

Offset: Social Security and Workers' Compensation.

Minimum: $50 per month.

Disability Benefit — Nonduty

Under 5 Years Service: Return of member's actual contributions with interest.

5 Years or More Service: 2 percent FAS per year of service, after 180 days disability (limit of 50 percent FAS).

KP&F:

Disability Benefit — Duty Caused

Employee: 50 percent FAS.

Each Child: 10 percent FAS.

Family Maximum: 75 percent FAS.

Offset: None.

Minimum: None.

Disability Benefit — Nonduty

Under 5 Years Service: Return of member's actual contributions (with interest after June 30, 1982).

5 Years or More Service: 2 percent FAS per year of service, after 180 days disability (limit of 50 percent FAS).

Termination Benefit

KPERS-nonschool: Return member's actual contributions plus credited interest; 31 day conversion privilege on life insurance. Vested benefit with ten years, if no withdrawal. Must return actual contributions with interest if reemployed by the same employer within 60 days.

Security Officers: Same as KPERS-nonschool.

KP&F: Return member's actual contributions with interest (credited after June 30, 1982) any time before retirement. Vested benefit with 20 years, if no withdrawal. Must return actual contributions with interest if reemployed by the same employer within 60 days.

Committee Activity

The Committee held several days of hearings and discussion on the sheriffs' retirement proposal. Staff provided background on the KPERS-nonschool system, the special group of correctional officers within KPERS and KP&F. At its September meeting several conferees appeared before the Committee to provide testimony on the proposal.

Mr. Robert Clester, Executive Director of the Kansas Sheriffs Association, testified of the need to provide another option for county commissioners when they decide which retirement system to affiliate with their sheriffs' department personnel. Mr. Clester pointed out the employer cost of KP&F is substantial in the viewpoint of most county commissioners. The Sheriffs Association favors that county commissioners be given the option of moving their sheriffs' department into the special group of correctional officers within KPERS. Mr. Clester indicated his belief that the cost to counties would be less than under KP&F, but the early retirement and disability options would be enhanced for sheriffs' departments which are presently under KPERS-nonschool. Jim Fountain, Sheriff of Reno County, Harris Terry, Sheriff of McPherson County, Melvin Dale, Undersheriff of Finney County, and Gene Marks, Sheriff of Barton County, all spoke in favor of a statutory change to permit counties the option of moving their sheriffs' personnel into the special correctional group within KPERS. All the conferees stressed the need to allow retirement after 20 years of law enforcement service. The physical and mental demands placed upon an officer are great, according to the sheriffs. Another factor cited by the sheriffs for improving the retirement benefits would be the increased chance an individual would make law enforcement a life-long career.

Mr. Fred Allen, representing the Kansas Association of Counties, appeared before the Committee to request that any sheriffs' retirement changes not be mandated on the counties. Mr. Allen stressed that counties could not support a mandated retirement program, unless there was state aid to fund the change. However, he did indicate counties would probably not be opposed to providing another retirement option for sheriffs' department personnel.

The Committee also heard from Mr. Marshall Crowther, Executive Secretary, KPERS. Mr. Crowther outlined another option for sheriffs' department personnel. This option would move sheriffs' personnel into KP&F for future service, but their past service credits would remain in KPERS-nonschool. Mr. Crowther pointed out that counties could still have the choice of retaining their sheriffs' personnel in KPERS-nonschool.

Committee Conclusions and Recommendations

The Committee held considerable discussion on possible options and recommendations on this proposal. The Committee recommends that no action be taken at this time on the proposal and that the appropriate standing committee of the 1985 Legislature review this issue. The Committee also recommended that any future changes in retirement benefits for sheriffs' personnel not be mandated upon counties.

Respectfully submitted,

November 29, 1984

Rep. Bob Ott, Chairperson
House Standing Committee
on Pensions, Investments, and Benefits

Rep. Kerry Patrick, Vice-Chairperson
Rep. Harold Dyck
Rep. Homer Jarchow
Rep. Charles Laird
Rep. David Miller
Rep. Robert D. Miller
Rep. Robert H. Miller

Rep. Judith Runnels
Rep. Jack Shriver
Rep. Dennis Spaniol
Rep. John Sutter
Rep. Robert Vancrum
Rep. Vern Williams
Rep. Bill Wisdom

MINORITY REPORT

I dissent from the majority report of no action. I believe the option (as reviewed in the majority report) for "future service only" coverage under KP&F and prior service under KPERS gives both the sheriff departments and counties a new, more viable option for addressing this serious problem. The 1981 Special Committee on which I served reviewed this issue and, as in 1984, rejected a state mandate. I agree with that, but an option to cover "future service only" gives both the sheriffs what they want — KP&F — and the counties what they want — a lower price tag. I realize this is not the best solution for the sheriffs but, as the record shows, that option (both future and prior service coverage under KP&F) has not been widely accepted. I believe we should give both a new way to help our sheriffs and their employees.

Respectfully submitted,

Representative David Miller

RE: PROPOSAL NO. 39 — RETIREMENT DATE FOR TEACHERS*

The House Standing Committee on Pensions, Investments, and Benefits was directed under Proposal No. 39 to:

> Conduct a comprehensive study of the retirement programs and benefits for teachers, including options for enhancements to the retirement system such as adjustments for post-retirement and long-term disability benefits and early retirement programs; also, assess the potential fiscal impact on the state of any changes in the retirement system for teachers.

Background

The Kansas School Retirement System (KSRS) was merged with the Kansas Public Employees Retirement System (KPERS) for purposes of administration on July 1, 1970, and for purposes of coverage on January 1, 1971. Approximately 48,000 active and inactive school employees became members of KPERS on January 1, 1971. KSRS members who were retired at that time and certain classes of inactive employees with vested rights did not come under KPERS. Instead, payments to these members continued under the provisions of KSRS through separate reserves maintained specifically for that purpose.

A total of almost 61,000 KPERS school members were included within this group as of June 30, 1983 — approximately 49,800 active and inactive members and 11,000 retirants and beneficiaries. Assets attributable to school members increased by about $111.6 million during fiscal year 1983 and totaled $684.1 million. The average age of the active members of the school system was 41, with 11 years of service. The average annual compensation for school members was $18,960.

* ~~H.B. 2017 accompanies this report.~~

The following information highlights the present benefits received by members of the KPERS-School system.

Normal Retirement. Eligibility for normal retirement is age 65.

Minimum Retirement. Eligibility for early retirement is age 60, with at least ten years of credited service. The benefit is actuarially reduced.

Employer Contribution. The employer contribution is the amount required to pay current service liabilities and to fund prior service costs. For FY 1986, the employer contribution rate for KPERS-School is 4.3 percent.

Employee Contribution. The employee contribution is set at 4 percent of gross compensation. Beginning on January 1, 1984, member contributions are "picked-up" by employers, i.e., treated, but not actually paid, as employer contributions for federal income tax purposes to defer taxation of that part of a member's salary until contributions are withdrawn or retirement benefits begin.

Vesting of Benefits. Under KPERS-School vesting of benefits is achieved after ten years of credited service. However, members of KPERS who were members of the Kansas Police and Firemen's Retirement System or the Judge's Retirement System may combine service credit for vesting under all systems for which they have credit.

Basis of Retirement Benefit. Final average salary (FAS), average highest five years of participating service. However, members eligible for a long-term disability benefit, who were disabled for at least five years immediately before retirement, will have their FAS adjusted upon retirement by the actuarial salary assumption rates existing during the period of disability.

Basic Retirement Benefit. Prior Service — 1 percent FAS for each year of prior service for persons retiring on or after July 1, 1981; otherwise, 1 percent prior service salary (highest salary paid in one of the immediately preceding three years before entry date). Participating service —1 1/4 percent FAS for each year of participating service prior to July 1, 1982; 1.4 percent for service credited after June 30, 1982; 1.4 percent FAS for all years of participating service for members who retire on or after July 1, 1989, with at least 25 years of such service. No minimum — no maximum.

Post Retirement Adjustments.

1972 — 5 percent across the board (permanent)

1973 — graduated percentage increased based on year of retirement ranging from 32 percent to 2 percent (permanent)

1976 — 5 percent of annual benefit; maximum \$200, minimum \$20 (13th check)

1977 — 5 percent of annual benefit; maximum \$200, minimum \$20 (13th check)

1978 — graduated percentage increase based on year of retirement ranging from 7.34 percent to 1.1 percent (permanent)

1980 — retirement dividend payment not to exceed 8.33 percent of annual benefit (13th check); expires October 1, 1987

1982 — 10 percent increase in monthly benefits for retirants who were entitled to benefits as of June 30, 1981 (permanent)

1984 — 10 percent in monthly benefits for retirants who were entitled to benefits as of June 30, 1981 (permanent)

Disability Benefit Definition — Duty and Nonduty Caused. Totally and permanently disabled after 180 consecutive days regardless of cause. The disability may be either physical or mental.

Disability Benefit — Duty and Nonduty Caused. Employee: 55 percent of annual rate of compensation (ARC) (scheduled to increase to 60 percent in January, 1985), reduced by one-half Workers' Compensation and total of primary Social Security or any other employer provided benefits after 180 days disability ($50 minimum). Continued group life coverage. Participating service credit granted during period of total disability. Insurance benefits and coverage end at age 70 or retirement, whichever occurs first. Disabilities occurring after age 60 receive benefits to the earliest of (1) termination, (2) age 70, (3) five years.

Each child: None.

Family maximum: 55 percent of annual rate of compensation (scheduled to increase to 60 percent in January, 1985).

Death Benefits Definition — Duty Caused. The definition for duty caused death benefits is a service-connected accident.

Death Benefits — Duty Caused. Spouse: 50 percent of final average salary less any amount paid or payable under Workers' Compensation ($100 minimum per month), until death or remarriage, and a $50,000 lump sum payment.

Each child: None.

Family maximum: 50 percent of final average salary.

Children, no spouse: Same as spouse, until youngest child attains age 18.

Beneficiary: Return member's actual contributions plus interest. Insured death benefit — 100 percent annual rate of compensation if member is under age 70. If no spouse or children, service-connected accident benefits payable to dependent parents.

Death Benefits — Nonduty Caused. Return of member's actual contributions plus interest. Insured death benefit of 100 percent of annual rate of compensation payable to beneficiary if member is under age 70. If over age 60, with ten years credited service and spouse is sole beneficiary, spouse may elect payment under an option rather than a lump sum return of actual contributions.

Committee Activity

The Committee held several days of hearings and discussion on the teachers' retirement proposal. Staff provided background on the KPERS-School system, including a detailed review of existing retirement benefits. At its August and September meetings several conferees appeared before the Committee to provide testimony on the proposal.

Ms. Judith Brown, Kansas-National Education Association (K-NEA) testified on proposed changes to the KPERS-School system which would enhance teacher retirement benefits and provide for a gradual reduction of normal retirement age with full benefits to age 60. Ms. Brown indicated that teachers believe their job role in society has changed over the past few years and that they would like to retire at an age when they can have some nonstressful years. Ms. Brown emphasized that the K-NEA proposal was based on increasing retirement benefits as well as protecting the fiscal soundness of KPERS. Ms. Brown requested actuarial information on the effect of several K-NEA retirement proposals, including the increase of employee and employer contributions, a decrease in the number of years for final average salary, and a cost-of-living adjustment benefit formula. Representatives from Wichita-NEA appeared before the Committee and supported the testimony presented by Ms. Brown.

Mr. Clarence Turpin, representing retired teachers of the Kansas City, Kansas, School Retirement System appeared before the Committee requesting that those individuals who retired between 1971 and 1981 receive post-retirement increases and the 13th KPERS check. Ms. Etta Blanche, President of the State Retired Teachers Association, also testified in favor of benefit increases for certain retired members of the Kansas City, Kansas, School Retirement System.

Dr. John Mackin, Senior Vice-President, Martin E. Segal Company and consulting actuary for KPERS, appeared before the Committee and discussed cost ramifications of K-NEA's retirement proposals. Dr. Mackin pointed out the central question to be addressed is what retirement benefit level is reasonable and appropriate for career employees who are covered by Social Security. He also stressed the need for a coherent overall retirement policy or principles that identify the basic purposes and objectives for a retirement system. Dr. Mackin suggested one widely accepted goal or standard is to provide a career employee with combined retirement benefits (state system plus Social Security) that approximate full continuance of net income before retirement. He indicated that the impact of inflation must also be considered when reviewing retirement benefits. Dr. Mackin stated that 21 states have automatic cost-of-living adjustments, while 19 (including Kansas) provide ad hoc benefit increases. He reviewed the expanded availability of supplemental retirement savings plans and explained that: (1) these plans are defined contribution plans; (2) the contributions are tax deferred; and (3) participation in these plans is voluntary. Dr. Mackin discussed early retirement benefits and indicated that recent developments suggest the trend is toward increasing rather than decreasing the age requirements for retirement. He did note that a few states have adopted temporary early retirement windows.

Mr. Don Martinson, Wichita-NEA Ad Hoc Committee on Retirement, presented the Committee with a survey of surrounding states concerning retirement benefits. He stressed the need for both the employee and employer to increase their retirement contributions for an improved benefit. Mr. Martinson also addressed the need for health insurance for retirees.

Mr. Marshall Crowther, Executive Secretary, KPERS, discussed with the Committee the need to determine what is an adequate retirement benefit, what is a reasonable level of income for those employees facing disability, and the question of appropriateness of age at retirement. He reviewed an individual retirement plan, which may include KPERS, Social Security, plus a supplemental retirement savings program. Mr. Crowther pointed out some of the supplemental retirement savings programs that could be established within Kansas. He also indicated the need to determine the scope and number of early retirement programs being offered by school districts and community colleges.

Committee Conclusions and Recommendations

The Committee held considerable discussion on possible options for changes in the retirement benefits for teachers. The Committee reviewed the issue of what is an adequate retirement system and noted the President's Commission on Pension Policy Report, 1980. The report indicated that retirement income can be substantially less than pre-retirement income and have almost the same buying power because of tax advantages. The Committee also reviewed the substantial improvements within KPERS retirement benefits in recent years. Based on these retirement benefits the Committee recommended that no change be made in the area of early retirement for teachers.

The Committee was informed that effective January, 1985, the disability benefit for KPERS members would be increased from 55 to 60 percent of an employee's annual rate of compensation. When allowing for the KPERS 13th check, the disability benefit would approximate 65 percent. This brings the disability benefit to only slightly less than the full net income replacement target of two-thirds of compensation. In light of the increased disability benefit, the Committee recommends that no changes be made in this area.

The Committee requested several studies to be conducted and the results presented to the appropriate standing committee of the 1985 Legislature. The Committee requested: (1) KPERS review options for supplemental retirement savings plans (in particular Section 457 and 401(k) plans); (2) staff survey first class cities and counties for any post-retirement health insurance benefits being offered retirants; and (3) staff survey all local school districts and community colleges to determine the extent and types of local early retirement incentive programs. The Committee also recommended that the appropriate standing committee of the 1985 Legislature review in depth, with the State Employee Health Care Commission, the option of providing supplemental health insurance to retirees.

The Committee requested that H.B. 2017 be introduced to permit retirants of the Kansas City, Kansas, School Retirement System who retired between 1971 and 1981 to receive the same post-retirement increases that other retirees have received. The Kansas City, Kansas, school system would fund the post-retirement increases. The bill would also permit these retirees to receive the KPERS 13th retirement benefit check.

Respectfully submitted,

December 3, 1984

Rep. Bob Ott, Chairperson
House Standing Committee
on Pensions, Investments, and Benefits

Rep. Kerry Patrick,
Vice-Chairperson
Rep. Harold Dyck
Rep. Homer Jarchow
Rep. Charles Laird
Rep. David Miller
Rep. Robert D. Miller
Rep. Robert H. Miller

Rep. Judith Runnels
Rep. Jack Shriver
Rep. Dennis Spaniol
Rep. John Sutter
Rep. Robert Vancrum
Rep. Vern Williams
Rep. Bill Wisdom