

Approved February 4, 1986
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by DAVID F. LOUIS at
Chairperson

9:00 a.m. a.m./p.m. on February 4, 19⁸⁶ in room 527-S of the Capitol.

All members were present except:

Representative Peterson-excused.

Committee staff present:

Richard Ryan
Alan Conroy
Gordon Self
Rosalie Black

Conferees appearing before the committee:

Marshall Crowther, Executive Secretary, KPERS

The meeting was called to order by Representative David Louis, Chairman, who introduced Marshall Crowther, Executive Secretary of the Kansas Public Employees Retirement System, for a briefing on KPERS annual financial report; update on KPER's recent Board action of divestiture of South African investments; and review of the Governor's proposal to make KPERS a non-contributory system. KPERS Annual Financial Report.

In describing accomplishments of the KPERS fund, Mr. Crowther indicated the system is "light years" ahead of most state pension plans in that it is not dependent on future workers to provide pensions. Noting the sound position of KPERS this year, he predicted that next year will also be favorable.

Referring to investment performance, Mr. Crowther said the KPERS time-weighted rate of return at 22.9% for fiscal year 1985 is acceptable when compared against the market indicators. The KPERS accounting rate of return at 11.7% for fiscal year 1985 remains strong.

The KPERS time-weighted rates of return for the last four years at 15.03% is more than triple the increase in the Consumer Price Index which is 4.10% for the same period.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 527-S, Statehouse, at 9:00 a.m./p.m. on February 4, 1986

KPERS Annual Financial Report - con't

During the last year, Mr. Crowther said KPERS has made dramatic improvements in the benefit structure for all coverage groups without an increase in employer contribution rate which was made possible by superior investment performance and other actuarial gains.

Divestiture of South African Investments.

The Board of Trustees for KPERS went on record last Fall in opposing the government of South Africa due to the government's discrimination on the basis of race. The Board also determined that if corporations are not signatory companies of the Sullivan Principles, the corporations are not appropriate investments for KPERS funds. At the present, Mr. Crowther said KPERS has no investments in corporations that are not signatory with the Sullivan Principles.

Out of the ten states involved with divestiture of South African investments, Kansas is the only one to do so without being under order of statute authority.

Investments in Kansas

Whenever possible, Mr. Crowther indicated the Board in its various investments seeks to protect the economic status of Kansas.

During fiscal year 1985, the Board continued its policy of seeking investments which encourage the Kansas economy when such investments can be made without sacrifice of either safety of the investment or the rate of return. Several of the corporations are major U.S. and international corporations, while some of the companies are strictly Kansas companies. These investments totaled \$596.8 million (29%) of the total investments of the retirement system as of July 30, 1985.

Review of the Governor's Proposal to Make KPERS a Non-contributory System.

Mr. Crowther explained that the Governor's proposal would allow

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Governor's Proposal - Non-contributory System - con't

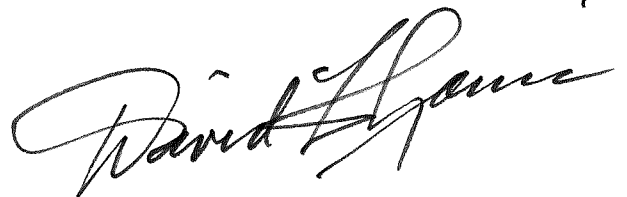
KPERS contributions for state employees to be made by the employer rather than by the employee. The advantage to the employees would be an increase in their spendable income.

The cost of implementing the non-contributory system is \$31 million. The non-contributory system would result in \$40 million spendable income for state employees.

Also, the non-contributory system would be applicable to KP&F, the retirement system for judges, the Board of Regent's TIAA system, and school employees.

Chairman Louis commended Mr. Crowther on reduction of brokerage fees by KPERS.

The meeting adjourned at 10:15 a.m.



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

Thurs. Feb. 4, 1986

NAME	ADDRESS	ORGANIZATION	BILL NO.
HAROLD C. P. 113	Topeka	TARTA	
Basil Covey	Topeka	KRTA	
Jack Hayes	"	KPER5	
Marshall Crum	Linn	KPER5	
Bill Curtis	Topeka	Ks. Assoc. of School Bds.	