

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

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

9:00 a.m./p.m. on Wednesday, February 26, 1986, 19 in room 527-S of the Capitol.

All members were present except:

Representatives Dyck and R.H. Miller-excused.
Representative Peterson-absent.

Committee staff present:

Richard Ryan
Alan Conroy
Rosalie Black

Conferees appearing before the committee:

(See attached list)

The meeting was called to order by Representative David Louis,
Chairman, to hear House Bill 2857 and House Bill 2858.

House Bill 2857 - Hearing

Representative Charles Laird explained that HB 2857 would
provide members of KPERS receiving long-term disability benefits
an increase of 5% effective July 1, 1986. He added legislation con-
cerning the increase was requested by one of his constituents.

Charles Dodson, Executive Director of KAPE, said the fact that
traditionally KPERS disabled members have not been included when post-
retirement benefits were granted explains the strong support KAPE has
for passage of HB 2857. Attachment 1.

Marshall Crowther, Executive Director of KPERS, indicated HB 2857
provides that any subsequent post-retirement benefit increases for re-
tirements will also include increases for members receiving long-term
disability payments.

Richard Ryan, Kansas Legislative Research Department, told the
committee the fiscal impact of HB 2857 would be absorbed within the
current employer contribution rate, however, subsequent legislative
actions could result in an increase in the employer contribution rate
for future years.

House Bill 2858 - Hearing

Representative Charles Laird testified he requested HB 2858 when it
became apparent members of KP&F could not buy participating credit for

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS,
room 527-S, Statehouse, at 9:00 a.m./p.m. on Wednesday, February 26, 1986, 19 .

for military service.

Charles Dodson, Executive Director of KAPE, asked for favorable support of HB 2858 on the basis of equity within the Kansas public employee systems. Attachment 2.

Hank Salmons, Director of Crime Prevention for the Sheriff's Office of Sedgwick County, supported HB 2858 indicating ability to buy military service would encourage longer length of employment by law enforcement officers and would act as an incentive for young officers to stay in the State.

Lt. Bill Jacobs, Highway Patrol, said a few state troopers had expressed considerable interest in buying military time. He added the patrol supports the bill on an administrative level since members will buy credited time rather than the employer.

Richard Ryan, Kansas Legislative Research Department, stated it is difficult to estimate the cost of HB 2858 due to a lack of data on how many members of KP&F have military service. Fiscal impact to employers would be approximately \$800,000 to \$3 million which would escalate in direct proportion to increases in future covered payrolls incurred in fiscal year 1988.

Marshall Crowther, Executive Director of KPERS, pointed out to the committee that current KP&F members would have from January 1, 1987 to January 1, 1988, to purchase participating service credit and new members would have four years to purchase after becoming a KP&F member.

Robert Schumaker, Vice-President of Kansas Peace Officers' Association, said the board of governors discussed HB 2858 and voted for its support.

The meeting adjourned at 10:10 A.M.



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

Wed, Feb 26, 1986

NAME ADDRESS ORGANIZATION BILL NO.

HAROLD C. FITTS Topoka TARTA

CHARLES DODSON TOPOKA KAPE

Lt. BILL JACOBS TOPOKA KHP

Marshall Coulter Linn County KPTRS

Jack New Topoka "

The Honorable David Louis, Chairperson
Committee on Pensions, Investments and Benefits
House of Representatives
Third Floor, Statehouse

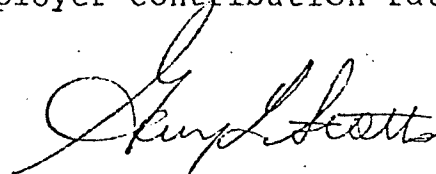
Dear Representative Louis:

SUBJECT: Fiscal Note for House Bill No. 2857 by
Representative Laird

In accordance with K.S.A. 75-3715a, the following fiscal note concerning House Bill No. 2857 is respectfully submitted to your committee.

Enactment of this legislation would provide that effective July 1, 1986, members of the Kansas Public Employees Retirement System receiving long-term disability benefits who are entitled to receive such benefits on July 1, 1985, will have these benefits increased by five percent. In addition, House Bill No. 2857 provides that any subsequent post-retirement benefit increases for retirements will also include increases for members receiving long-term disability payments.

Life insurance and disability benefits provided to KPERS members are financed from an employer contribution rate of .6 percent (included in the composite employer contribution rate) of covered payroll, while the financing of post-retirement benefit adjustments is financed by a corresponding increase in the employer contribution rate. Given present experience, the Kansas Public Employees Retirement System reports that the provisions of House Bill No. 2857 would result in a modest fiscal impact, thereby having no actuarial ramifications. Consequently, the fiscal impact of this legislation could be absorbed within the current statutory employer contribution rate. However, subsequent actions by the Legislature could result in an increase in the employer contribution rate for future fiscal years.



Gary L. Stotts
Acting Director of the Budget

GLS:DW:sr

The Honorable David Louis, Chairperson
Committee on Pensions, Investments and Benefits
House of Representatives
Third Floor, Statehouse

Dear Representative Louis:

SUBJECT: Fiscal Note for House Bill No. 2858 by
Representative Laird

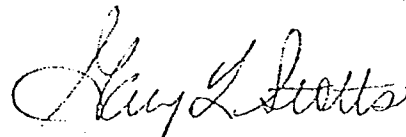
In accordance with K.S.A. 75-3715a, the following fiscal note concerning House Bill No. 2858 is respectfully submitted to your committee.

Enactment of this legislation would provide that members of the Kansas Police and Firemen's Retirement System (KP&F) could purchase participating service credit for up to six years of military service via a lump sum payment or double deduction, provided such military service is not the basis for a military pension. Current members would have the period from January 1, 1987, to January 1, 1988 to elect to purchase participating service credit, and new members would be required to make such an election within four years after becoming a member of KP&F.

The Kansas Public Employees Retirement System (KPERS) reports that it is very difficult to reliably estimate the cost of House Bill No. 2858, due to a lack of data indicating what members of KP&F have military service and how many years and the distribution of this military service by age group and participating employer. Obviously, a lump sum purchase which provides that the member pays the full actuarial value of the military service would have no cost implication to participating employers. However, purchase of military service credit by double deduction would have a fiscal impact on participating employers, because in these cases the full actuarial value of the additional service is not paid for by the double deduction. Consequently, the participating employers would bear the remaining cost.

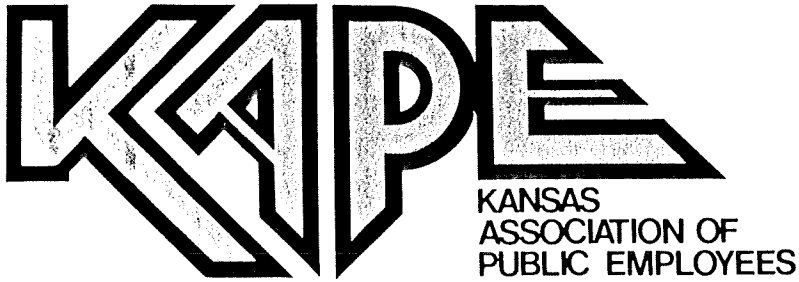
The KPERS actuary reports that to finance this remaining cost to participating employers, it is estimated that the employer contribution rate would have to increase between .8%

and 3.0% of total covered payroll. Utilizing estimates of FY 1987 covered payrolls provided by KPERS, participating employers in KP&F would incur additional annual employer contributions of between \$787,000 and \$2.95 million. Included in these amounts are the additional contributions the state would incur because of its participation in KP&F, and it is estimated that these costs would range between \$107,000 (\$94,000 SGF) to \$400,000 (\$350,000 SGF). The increased employer contribution rates would first be reflected within the rates certified for FY 1988. Consequently, the additional employer contributions would not be incurred until FY 1988. These costs would escalate in direct proportion to increases in future covered payrolls.



Gary L. Stotts
Acting Director of the Budget

GLS:DW:ks



Presentation of Charles Dodson
to the
Committee on Pensions, Investments and Benefits
February 26, 1986

Thank you for the opportunity to appear in support of HB 2857. This bill simply states that effective July 1, 1986, KPERS members receiving long-term disability benefits will have the benefits increased by 5%. It further states that any subsequent post-retirement benefit increases for retirants will also include increases for members who receive disability payments.

KPERS has reported in their fiscal note on this bill that "traditionally, disabled members have not been included when post-retirement benefits were granted." This statement alone probably explains the need for passage of HB 2857.

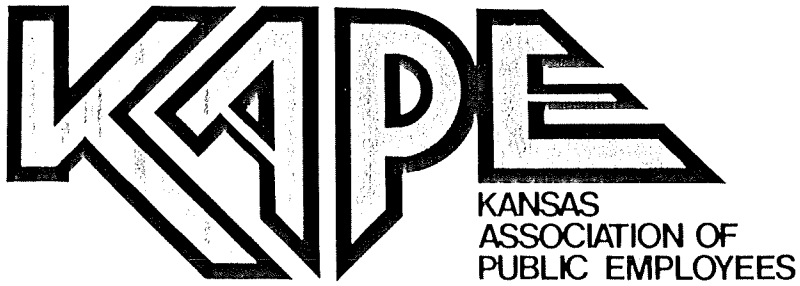
These disabled retirants do not fit into the normal retiree mold. Many times they still have school age children living at home. They would be expected to have extraordinary medical expenses. Their needs are greater than most other retirants. Yet, they have traditionally **not** been included when post-retirement increases are given.

The statement that disabled members receive greater benefits from social security than do individuals who are retired is generally true. But, KSA 74-4927(B) in establishing disability payments states, "Such plan may provide that any amount which a member receives as a social security benefit... may be deducted from the amount of insured disability benefit payments." So, a more liberal social security plan does them no good at all in insuring adequate income to cover basic necessities.

Lastly, it has been stated that the increase called for by HB 2857 is somewhat modest. We agree. Perhaps it is too modest.

*Atch. 1
2/26/86
H. PIB*

Attachment I



Presentation of Charles Dodson
to the
Committee on Pensions, Investments and Benefits
February 26, 1986

Thank you for this opportunity to appear in support of HB 2858. This bill is needed as a matter of equity, a matter of equal treatment, of equal protection.

This legislature has provided that members of KPERS may purchase participating credit for military service by payroll deduction from their compensation. K.S.A. 74-4919h(1) states that it may be purchased by the member paying "8% of such members compensation". However, no such provision exists for members of the KP&F retirement system.

HB 2858 would dictate that for members of the KP&F system to purchase such credit by payroll deduction, the employee would have to pay 14% of their gross compensation. And, employees would only have the calendar year 1987 to elect this option.

It has been pointed out that few, if any, states allow this option. We could point out that 30 states pay a higher percentage for each year of service, and 40 states allow retirement at an earlier age than does KPERS. So, if we are going to state that we shouldn't allow KP&F members to purchase prior credit for military service because other states do not have this provision, then we should expand our consistencies and lower the retirement age, pay a higher percentage on retirement, and decrease the years of service required before retirement.

HB 2858 simply allows for consistency within the Kansas public employee systems. It allows for equity. We would ask you to give a favorable report on this bill.

*Atch. 2
2/26/86
H. PIB*

Attachment 2