

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS AND BENEFITS

The meeting was called to order by REPRESENTATIVE VERNON WILLIAMS at
Chairperson

9:00 a.m. a.m./p.m. on Thursday, February 19, 1987 in room 527-S of the Capitol.

All members were present except: Representative Duncan - excused

Committee staff present:

Richard Ryan
Alan Conroy
Gordon Self
Rosalie Black

Conferees appearing before the committee: See attached list. (Attachment 1)

The meeting was called to order by Representative Williams, Chairman, for hearings on HB 2030 and HB 2031 and to introduce the protection of benefits proposal and the Wyandotte teachers proposal.

PROPOSALS

Representative Laird moved for a conceptual motion to protect retirement benefits of state officials who have a salary reduction of 3.8%; seconded by Representative Wilbert. The motion carried.

Representative Wisdom moved to introduce a proposal relative to the Wyandotte teachers plan; seconded by Representative Ott. The motion carried.

HOUSE BILL 2030

Marjorie Van Buren, Office of Judicial Administration, testified in support of HB 2030 which provides members of the Judges' Retirement System a minimum disability benefit of at least 25% of final average salary.

Ellyn Rullestad, Senior Auditor, Legislative Post Audit, said since HB 2030 reduces disability benefit payments by an amount equal to 50% of the member's earnings up to a maximum reduction of 50% of the disability benefit she would present information concerning the experience of other states in the area of disabilities in comparison with the experience of KP&F. Attachment 2.

Ray Bailiff, President, Kansas State Troopers Association, stated the Association supports the proposed 25% minimum off-duty disability and the removal of the five-year qualification to receive an off-duty disability. The Association also opposed the reduction of disability

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 19, 1987

HOUSE BILL 2030 (continued)

benefits for disabled members that return to the work force. He asked for KP&F members to be included in KPERS total disability plan.

Attachment 3.

Marshall Crowther, Executive Secretary, KPERS, advised that passage of HB 2030 would increase the employer contribution rate by .5% for KP&F employers. The cost for employers would be \$489,025; the cost for employees is set in statute. 3% of the \$489,025 is for KPERS group life insurance for KP&F members. He added that KP&F members currently have no life insurance coverage.

John Foster, Chief of Police, Lenexa; and Sergeant Bob Griffin, Kansas Highway Patrol; supported HB 2030 but opposed the section which would penalize any member that retires under the disability provision.

Attachments 4 and 5.

Marshall Crowther told the committee that members may wish to consider adding group life insurance to the benefits for school and non-school employees giving them the option to participate since there would be no cost to KPERS. This would include school districts, cities and counties who are members of KPERS.

HOUSE BILL 2031

Kay Coles, representing 20,000 members of Kansas NEA, stated that members support HB 2031 which provides for retirement at age 55, with 30 years of service, and with full actuarial reduction, however, she said, the actuarial reduction could adversely affect a teacher considering early retirement due to teachers salaries being so low. Attachment 6.

Basil Covey, Kansas Retired Teachers Association; and Jerry Henderson, United School Administrators; testified in favor of HB 2031 indicating the bill brings retirement in the teaching profession in line with the retirement plans of industry. Attachment 7.

The meeting adjourned at 9:50 a.m.

Rep. Vern Williams

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

Thursday, 2-19-87

NAME	ADDRESS	ORGANIZATION	BILL NO.
HAROLD PITTS	Topeka	TARTA	2031
Gerald Wudera	Topeka	USA	2031
Basil Conner	Topeka	KRTA	2031
Marjorie Van Buren	Topeka	Office of Judicial Administration	2030
KEN GORMAN	TOPEKA	FEDERAL BUREAU OF POLICE	2030
TERRY L. STEVENS	TOPEKA	TOPEKA POLICE DEPT	2030
Jacqueline D. King	Topeka	To City Schools 500	
John L. FOSTER	LENEXA	Johnson Co. Police CHIEFS	2030
BOB GIFFIN	TOPEKA	KANSAS HIGHWAY PATROL	2030
RAY BAILIFF	LEAVENWORTH	KSTA	2030
Jack Hain	Topeka	KPERE	
Marshall Crossbar	Lawrence	KPERE	
KAY COLES	TOPEKA	KNEA	2031
Ellen Kullstad	Topeka	1st. Post Office	2030
Aaron Foster	"	2nd Post Office	2030
Rich Diabram	TOPEKA	DPS	2030 & 2031

Thursday, February 19, 1987

Rec'd Note - HB 2030 - Judges' disability and KP&F optional life insurance.

Judges'

Marjorie Van Buren, Judicial Administrator's Office

~~Ron Smith, Kansas Bar Association.~~

KP&F

Ellyn Rullestad, Legislative Post Audit

Raymond Bailiff, Trooper, Kansas Highway Patrol

John Foster, Police Chief of Lenexa

Sgt. Bob Dippin, Highway Patrol

HB 2031 - KPERS school and non-school; may retire at age 55 with 30 years of credited service.

~~Craig Grant, KNEA~~

Basil Covey, Kansas Retired Teachers Association

Kay Coles, KNEA

Jerry Henderson, United School Administrators

**Presentation to the House Pensions, Investments, and Benefits
Committee regarding House Bill 2030**

Ellyn Rullestad, Senior Auditor, Legislative Post Audit

February 19, 1987

In July 1986, Legislative Post Audit issued an audit of the Kansas Police and Firemen's Retirement System. In response to additional questions, we conducted a second audit in that area. That second audit was released this past January.

One of the questions we looked at in the second audit was, **How does the experience of other states in the area of disabilities compare with the experience of the Kansas Police and Firemen's Retirement System?** To answer this question, we reviewed surrounding states' statutes pertaining to disability provisions for police and firemen. One area we looked at was whether or not the surrounding states had post-retirement income limitations for disabled members.

Because House bill 2030 would reduce the disability benefit payments by an amount equal to 50% of the member's earnings up to a maximum reduction of 50% of the disability benefit, I thought I might provide this Committee with some of the additional information we collected for our audit.

We looked at statutes from Colorado, Iowa, Missouri, Nebraska, and Oklahoma. Of these, Colorado, Iowa, and Missouri had post-retirement income limitations. The limitations varied among the states.

Colorado:

Benefits are reduced several ways:

1. If a member receives or has received a worker's compensation award within one year of the award of disability benefits, those disability benefits will be reduced by one-half the award.
2. Benefits are also reduced by the pro-rata amount of any Social Security payments.
3. If total income from all sources exceeds the salary of someone of the same rank at which the member retired, benefits will be reduced by 25% of the amount by which the income exceeds the current salary paid to someone of that rank.

Overall, the earned income limitations are not tremendously strict, but they do still exist.

Iowa:

1. The member can make up to a limit of the difference between his benefit and 1.5 times the amount of the current earnable compensation of an active member at the same position on the salary scale within the member's rank held at the time of the retirement.

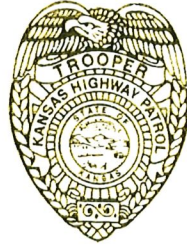
Because disability retirement benefits range from 40 - 66 percent of final average salary, the member can earn quite a bit of income before any benefit reduction occurs.

Missouri:

Missouri has the most stringent earned income limitation.

1. The combination of worker's compensation, Social Security, earned income, and the disability pension cannot exceed the member's final average salary.

Neither Nebraska nor Oklahoma had an income limitation. However, Oklahoma limits the benefit paid to the percent of impairment. In addition, if the member has a partial disability due to service-related causes, the municipality must give the member the option of continuing employment instead of retiring unless the municipality can show that no job in the police department is available for the member to fill.



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February 19, 1987

PENSIONS, INVESTMENTS & BENEFITS

House Bill 2030

Proposed Changes in KP&F Benefits

The Kansas State Troopers Association supports the proposed 25% minimum off-duty disability and the removal of the five-year qualification to receive an off-duty disability.

The Kansas State Troopers Association strongly opposes the portion of H.B. 2030 that would reduce disability benefits for disabled members that return to the workforce. This portion of the bill would mainly act to insure the disabled member a lower standard of living.

We would again this year ask that KP&F members be included in KPERS Total Disability Insurance Plan. This would guarantee KP&F members who became totally and permanently disabled from engaging in any gainful occupation or employment a minimum of 60% (65% proposed) of such members annual rate of compensation.

RAY BAILIFF, President
KSTA

ATTACHMENT 3

2-19-87

JOHN L. FOSTER • CHIEF OF POLICE



12500 W. 87th ST. • LENEXA, KANSAS 66215
913/888-4110

MAJOR GEORGE W. BARTON
DEPUTY CHIEF OF POLICE

February 17, 1987

Honorable Vernon L. Williams
Chairman: Pensions, Investments & Benefits
Kansas House of Representatives
Room 431 North
State Capitol Bldg.
Topeka, KS 66612

Re: House Bill 2030

I am taking this opportunity to address House Bill 2030, page 15, line 0562, Section 11, subsection A & B.

It would appear that this piece of legislation is one of those that would contain some good and some bad. Section 11 of this bill would penalize any member that retires under the disability provision of the Kansas Fire and Police Retirement Act. The penalty is reflected by a reduction of the pension benefits by 50% of the outside income up to a maximum of 50% of the retirees pension.

If I may, let me present two scenarios;

1. Chief Frank A. Wood of the Fairway, Kansas Police Department recently underwent surgery for a liver transplant. If Chief Wood found it necessary to retire under the disability provision of Kansas Fire and Police Retirement System and this piece of legislation were in place Chief Wood would receive approximately \$1800.00 per month in pension benefits. Because of Chief Wood's illness his insurance premiums are estimated to be \$1200.00 per month to secure hospitalization coverage. This would result in a net spendable income of \$600.00. In the event Chief Wood could secure outside income at the rate of \$1,000.00 per month the retirement system would deduct 50% of that amount from his pension benefit leaving a total monthly income of \$1100.00 per month to cover all living expense plus that portion of medical care not covered through hospitalization. I would submit that this is an unusual circumstance and may be a worst case scenario.

ATTACHMENT 4
2-19-87

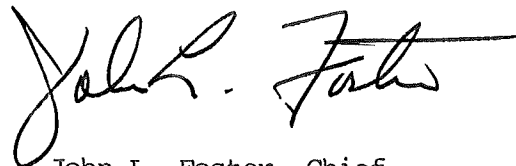
Adrian 3

2. An officer, age 35, with children ages 11, 9 and 7, retires on disability at the rate of \$1500.00 per month. If he secures outside employment at the rate of \$1000.00 per month and has \$500.00 deducted from his pension benefits, it leaves a net of \$2000.00 and I would also submit in this case that \$2000.00 a month is a marginal amount considering the rearing of three children and maintaining a home.

It would seem to me that this piece of legislation reduces any incentive that a retiree may have to be a tax paying member of the community by virtue of securing employment after retiring. Very few Police Departments in the State of Kansas are such a size whereby they can absorb people that are unfit for duty because of physical infirmities. Every position in most Police Departments must be filled by able bodied individuals.

I strongly urge that the committee remove section 11 from House Bill 2030.

Yours truly,

A handwritten signature in black ink, appearing to read "John L. Foster". The signature is written in a cursive style with a long horizontal stroke at the end.

John L. Foster, Chief
Lenexa Police Department

JLF:vh

SUMMARY OF TESTIMONY

Before the House Committee on Pensions, Investments,
and Benefits

February 19, 1987

Presented by the Kansas Highway Patrol
(Sergeant Bob Giffin)

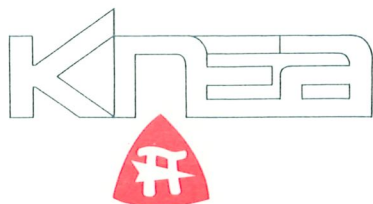
Appeared in Support of House Bill 2030

The Patrol supports House Bill 2030 because of the protection it would afford an employee with less than five years credited service in the retirement system.

Currently, a member that has less than five years credited service in the K.P. & F. retirement system is left virtually unprotected should that member become permanently disabled or dies as a result of a non-service connected cause. House Bill 2030 addresses this problem by removing the five year requirement to become vested and further guarantees a member a minimum of 25% of the member's final average salary.

The Patrol, however, does not endorse that portion of the bill beginning on line #0562 which may have an effect of reducing by 50% the benefit provided for above should the member become gainfully employed after being retired because of a non-service connected disability. The legislature has recognized, and rightfully so, that a higher degree of physical fitness is required of its law enforcement officers if they are to afford the desired level of service and protection expected by the public. Although the member may be unable to physically perform law enforcement duties, he/she may still be able to work ^{for} society in a variety of other ways and yet be discouraged from doing so because of this section of the bill.

Notwithstanding the penalty for gainful employment, the Patrol recommends that House Bill 2030 be reported favorably for passage.



Testimony by Kay Coles Before the
House Pensions, Investments and Benefits Committee
February 19, 1987

Thank you Mr. Chairman. Members of the committee, my name is Kay Coles and I am here today representing the 20,000 members of Kansas-NEA. I appreciate the opportunity to speak with you about HB 2031.

Kansas-NEA supports the early retirement concept contained in this bill. We have long sought provisions that would allow for early retirement for school employees. We believe the need exists to provide an early retirement option for teachers, and others, who wish to retire.

Last year you began that effort by instituting a two-year "window" for early retirement with full benefits for those who had reached age 60 with 35 years service or for those who had 40 years of service. Kansas-NEA wholeheartedly supported that legislation.

HB 2031 contains many of the concepts adopted last year. It provides for retirement at age 55, with 30 years service, and with full actuarial reduction. While we support early retirement for those age 55, we believe they should be entitled to full benefits. The actuarial reduction contained in HB 2031 could adversely affect a teacher considering early retirement. With teachers salaries still too low, retirement benefits under KPERS are not substantial enough to allow many teachers the freedom to choose early retirement.

If that option is not available, we would suggest you look closely at another bill in this committee, HB 2231.

Of the bills before you, we ask that you keep one thing in mind -- Kansas teachers will support an early retirement package that provides an opportunity for them to enjoy their later years. Thank you.

ATTACHMENT 6
2-19-87



Kansas Retired Teachers Association

Together We Can

1986-1987



ELECTIVE OFFICERS

President

Lucy E. Clark
425 Morningside Lane
Newton, Ks. 67114
Phone 316-283-2421

President Elect

Mr. Jimmie Nickel
965 Mentlick Dr.
Colby, Ks. 67701
Phone 913-462-2293

Vice President

Ruth M. Lyon
1040 No. 11th
Independence, Ks. 67301
Phone 316-331-2464

Secretary

Miss Esther Griswold
229 East 6th
Hutchinson, Ks. 67501
Phone 316-662-3608

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1122 N. Cedar
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Phone 913-263-1533

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Mrs. Nadine Ramey
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Abilene, Ks. 67410
Phone 913-263-3542

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Mrs. Elsie Klemp
608 E. Price
Garden City, Ks. 67846
Phone 316-275-5322

Legislative Chairman

Basil Covey
3119 W. 31st. Ct.
Topeka, Ks. 66614
Phone 913-272-5914

Past President

Morris J. Thompson
412 E. 13th
Hutchinson, Ks. 67501
Phone 316-662-3002

District 1

Mrs. Wilda Novotny
2310 Maple Drive
Belleville, Ks. 66935
Phone 913-527-2964

District 2

Mr. John McCoy
1150 Meadowbrook Lane
Manhattan, Ks. 66502
Phone 913-539-6343

District 3

Mr. Willis Jordan
933 Maple
Ottawa, Ks. 66087
Phone 913-242-6130

February 19, 1987

To Members of the Pensions, Investments and Benefits Committee:

My name is Basil Covey and I represent the Kansas Retired Teachers Association.

We support HB 2031 that provides for teachers to retire at age 55 with 30 years of credited service.

There have been several suggestions made by career teachers in the last few years concerning early retirement. One plan was the total of age plus years of service to reach a total of 80. Eighty was the magic number to reach to retire. HB 2031 comes close to that plan.

It would seem that if teachers due to burn-out or plan to retire at age 55 some sacrifice must be made in benefits. HB 2031 provides for a .6 of 1% for each month between 55 and 60 or 36.0% reduction in benefits.

We feel that this bill will provide for staff reduction through retirement instead of layoffs. If no layoffs are planned it allows new young teachers to fill the vacancies. The bill brings retirement in the teaching profession in line with the retirement plans of industry.

We urge your support of HB 2031.

Sincerely,

Basil Covey
Basil Covey
KRTA

DISTRICT DIRECTORS

District 4

Russel Lupton
2008 Hart
Dodge City, Ks. 67801
Phone 316-227-3335

District 5

Mrs. Eunice E. Schnitzer
1711 N. 4th, Apt. 513
Arkansas City, Ks. 67005
Phone 316-442-2685

District 6

Margaret Hollenshead
504 S. Central
Chanute, Ks. 66720
Phone 316-431-1135

APPOINTEE OFFICERS

Historian

Mrs. Alma Gall
2206 Sixth Ave.
Dodge City, Ks. 67801
Phone 316-227-7544

Community Participation Chairman

Dr. Ralph Ruhlen
P.O. Box 269
Baldwin, Ks. 66006
Phone 913-594-3413

Necrology Chairman

Mrs. Thelma Childers
1209 S. Evergreen
Chanute, Ks. 66720
Phone 316-431-3882

Informative and Protective Services

Mrs. Lois Marshall
912 Judson Street
Ft. Scott, Ks. 66701
Phone 316-223-2157

Retirement Planning Chairman

Mr. Milton Senti
708 Stout
Pratt, Ks. 67124
Phone 316-672-6183

Membership Chairman

Mrs. Ann Butler
524 N. Main
Hoisington, Ks. 67544
Phone 316-653-2922

NRTA Coordinator

Dr. George Goebel
711 Crest Dr.
Topeka, Ks. 66606
Phone 913-272-3418

Corresponding Secretary

Mrs. Pauline Meador
203 SW 12th
Newton, Ks. 67114
Phone 316-283-8491

Parliamentarian

Mr. Harold Lowe
4801 W. 66th Terrace
Shawnee Mission, Ks. 66208
Phone 913-432-0886

ATTACHMENT 7

2-19-87