

Approved 5/6/87 Date _____

MINUTES OF THE Senate COMMITTEE ON Ways and Means

The meeting was called to order by Senator August "Gus" Bogina at
Chairperson

11:00 a.m./~~p.m.~~ on April 3 (b), 1987 in room 123-S of the Capitol.

All members were present except:
Senator Harder on excused absence

Committee staff present:
Research Department: Ron Schweer, Laura Howard
Revisor's Office: Norman Furse, Jim Wilson
Committee Office: Judy Bromich, Pam Parker

Conferees appearing before the committee:

HB 2377 - Firefighters relief act, determination of payments, adjustments for errors in prior years.

Staff reviewed HB 2377 and Senator Gaines moved, Senator Gannon seconded, to report HB 2377 favorably for passage. The motion carried on a roll call vote.

HB 2411 - Retirement annuities for officers and employees of the state board of regents and institutions thereunder.

Staff distributed and reviewed a balloon draft of HB 2411 containing proposed amendments for consideration by the Committee. (Attachment 1)

Ted Ayres, General Council, Board of Regents, distributed testimony from Richard L. Mann, University of Kansas regarding HB 2411. (Attachment 2) Mr. Ayres stated that he was unable to address the bill with the proposed amendments so his remarks would be directed to the bill in general. He stated that the Board of Regents does support a clarification of the bill. It would be the recommendation of the Board that the initial two year waiting period be reduced to one year. He pointed out that the word, "public" in the balloon language on line 0038 creates a question as to whether it would make it impossible to recruit from private institutions. Mr. Ayres stated that the Board would recommend the employer contribution to KPERS be required for one year, rather than the six months as amended by the House Committee on Pensions, Investments and Benefits. He stated that the Board would rather have the six month contribution than the one year requirement.

Following discussion, Senator Gaines moved, Senator Feleciano seconded, amending HB 2411 to reflect a one year waiting period, line 0034 and other appropriate lines. The motion passed on a voice vote.

Senator Feleciano moved, Senator Winter seconded, striking the word, "public" in front of "institution of higher education" throughout the inserted language throughout the balloon draft of HB 2411. The motion passed on a voice vote.

Senator Gaines moved, Senator Feleciano seconded, approval of the amendments proposed in the balloon draft of HB 2411 as outlined in Attachment 1 4/3/87 (a). The motion carried on a voice vote.

Senator Gaines moved, Senator Winter seconded, to recommend HB 2411, as amended, favorably for passage. The motion passed on a roll call vote.

Senator Feleciano moved, Senator Winter seconded, the introduction of bill draft 7 RS 1425, an act concerning a claim against the state; authorizing

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Ways and Means,
room 123-S, Statehouse, at 11:00 a.m./~~p.m.~~ on April 3 (b), 1987.

certain disbursements and procedures; amending section 17 of 1987 Senate Bill No. 58 and repealing the existing section. The motion passed on a voice vote.

Senator Talkington moved, Senator Winter seconded, introduction of bill draft 7 RS 1431, an act concerning artwork for construction and renovation projects for state agencies. The motion passed on a voice vote.

The Chairman adjourned the meeting at 12:15 o.m.

HOUSE BILL No. 2411

By Committee on Pensions, Investments and Benefits

2-18

PROPOSED AMENDMENTS

For Consideration by Senate Committee on Ways and Means

4/3 PM
SUN AM

0018 AN ACT concerning retirement benefits for officers and em-
0019 ployees of the state board of regents and institutions thereun-
0020 der; relating to retirement annuities; amending K.S.A. 1986
0021 Supp. 74-4925 and repealing the existing section; also repeal-
0022 ing K.S.A. 1986 Supp. 74-4925c.

0023 *Be it enacted by the Legislature of the State of Kansas:*

0024 Section 1. K.S.A. 1986 Supp. 74-4925 is hereby amended to
0025 read as follows: 74-4925. (1) The state board of regents shall:

0026 (a) Assist all those members of the faculty and other persons
0027 who are employed by the state board of regents or by educational
0028 institutions under its management and who are in the unclas-
0029 sified service under the Kansas civil service act as provided in
0030 subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, in
0031 the purchase of retirement annuities for their service rendered
0032 after December 31, 1961. The state board of regents shall not

0033 assist any such person who is employed after December 31,
0034 1961, until such person has been employed for at least two years

0035 except that (i) the state board of regents may assist any newly
0036 employed person immediately if at the time of the commence-
0037 ment of employment the person is covered by a valid retirement
0038 annuity contract issued by a company described in subsection (2)

0039 *to which such person or such person's employer on such per-*
0040 *son's behalf has been making contributions for at least six*

0041 *months one year, and (ii) all periods of employment with partic-*
0042 *ipating employers under ~~which such person or such person's~~*

0043 *employer on such person's behalf actually made or could have*
0044 *made contributions to* the Kansas public employees retirement

0045 system, ~~including the period of employment with participating~~
0046 ~~employers when such person is fulfilling the one-year service~~

a waiting period of

which was entered into pursuant to a retirement pension plan adopted for
faculty members or other persons, or both, employed by a public institution
of higher education and

(A)

under

ATTACHMENT 1

SENATE WAYS AND MEANS 4/3/87 (b)

0047 ~~requirement prior to membership under the system as provided~~
 0048 ~~in K.S.A. 74-1911 and amendments thereto,~~ shall be credited
 0049 toward satisfaction of such two-year waiting period if served
 0050 during the five years immediately preceding employment with
 0051 the state board of regents or with an educational institution
 0052 under its management in the unclassified service under the
 0053 Kansas civil service act as provided in subsection (1)(f) of K.S.A.
 0054 75-2935 and amendments thereto, in addition to such employ-
 0055 ment with the state board of regents or with an educational
 0056 institution under its management. ~~Any person may elect to take~~
 0057 ~~advantage of the tax sheltered annuity provisions of the internal~~
 0058 ~~revenue code of 1954, as amended, as provided in subsection (1)~~
 0059 ~~during the two-year waiting period provided in this section,~~
 0060 ~~except that the state board of regents, when purchasing a re-~~
 0061 ~~irement annuity on such person's behalf, shall not provide the~~
 0062 ~~sum equal to 7% of the gross annual salary of such person as~~
 0063 ~~otherwise provided in subsection (1). This~~ fact shall not apply to
 0064 persons employed in such temporary and part-time positions
 0065 designated by the state board of regents as exceptions hereto;
 0066 (b) require such members of the faculty and others described
 0067 in subsection (1)(a) ~~which~~ are so assisted by the state board of
 0068 regents to contribute an amount toward the purchase of such
 0069 retirement annuities of 5% of their salaries, such contributions to
 0070 be made through payroll deductions;
 0071 (c) contribute an amount toward the purchase of such retire-
 0072 ment annuities equal to ~~7%~~ of the total amount of the salaries on
 0073 which such members of the faculty and others described in
 0074 subsection (1)(a) contribute during such period for which the
 0075 contribution of the state board of regents is made;
 0076 (d) provide, under such rules and regulations as the state
 0077 board of regents may adopt, for the retirement of any such
 0078 member of the faculty or ~~others~~ described in subsection (1)(a) on
 0079 account of age or condition of health, retirement of such member
 0080 of the faculty or other person described in subsection (1)(a) on
 0081 account of age to be not earlier than the 60th birthday and not
 0082 later than the end of the academic year following the 70th
 0083 birthday. Any person who retires under this section and who

for which employment participating service credit accrued, or (B) public institutions of higher education in other states for which employment retirement benefits accrued under a public retirement system or plan provided for such employment

, in either case,

; no period of employment as a student employee, as a seasonal or temporary employee or as a part-time employee, whose employment requires less than 1,000 hours of work per year, shall be credited toward the two-year waiting period; this

who

8%

other person

0084 receives benefits from the Kansas public employees retirement
0085 system for prior service credit shall have such benefits calculated
0086 in accordance with the applicable provisions of K.S.A. 74-4914
0087 and 74-4915 and amendments thereto.

0088 (2) For the purposes of this section the state board of regents
0089 may contract with:

0090 (a) Any life insurance company authorized to do business in
0091 this state; or

0092 (b) any life insurance company organized and operated
0093 without profit to any private shareholder or individual exclu-
0094 sively for the purpose of aiding and strengthening educational
0095 institutions by issuing insurance and annuity contracts only to or
0096 for the benefit of such institution and individuals engaged in the
0097 services of such institutions, whether or not such company is
0098 authorized to do business in Kansas. No premium tax or income
0099 tax shall be due or payable on such annuity contract or contracts
0100 for such retirement programs issued by a company described in
0101 this subsection (2)(b), except that neither the purchase nor the
0102 issuance of such retirement annuities from or by a company
0103 described in this subsection (2)(b) shall constitute the effecting
0104 of a contract of insurance.

0105 (3) (a) Such member of the faculty or other person described
0106 in subsection (1)(a) shall also be a member of the Kansas public
0107 employees retirement system, but only for the purpose of grant-
0108 ing retirement benefits based on prior service only which was
0109 rendered prior to January 1, 1962, which shall be credited to the
0110 member as provided in subsection (1) of K.S.A. 74-4913 and
0111 amendments thereto, except that for the purpose of determining
0112 eligibility for a vested benefit, service by such a member of the
0113 faculty or other person after December 31, 1961, shall be con-
0114 strued to be credited service under subsection (2) of K.S.A.
0115 74-4917 and amendments thereto.

0116 (b) *Any member of the faculty or other person described in*
0117 *subsection (1)(a) who retires after 10 years of continuous service*
0118 *immediately preceding retirement shall be granted a retirement*
0119 *benefit based on prior service only which was rendered prior to*
0120 *January 1, 1962. Application for such benefit shall be in such*

0121 form and manner as the board shall prescribe.

0122 (4) For the purpose of establishing a procedure whereby the
0123 state board of regents and any member of the faculty or other
0124 person described in subsection (1)(a), subject to rules and regu-
0125 lations of the state board of regents, may take advantage of the
0126 "tax sheltered annuity" provisions of the internal revenue code
0127 of 1954 as amended, any member of the faculty or any other
0128 person described in subsection (1)(a) may request in writing that
0129 the state board of regents reduce such person's annual salary, as
0130 fixed by the board, in an amount equal to not less than 5% nor
0131 more than the percentage allowed under section 403(b) of the
0132 internal revenue code of 1954 as amended, as designated by such
0133 member of the faculty or other person described in subsection
0134 (1)(a), of the gross amount of such annual salary. In the event of
0135 such request ~~the~~ faculty member or other person ~~making such~~
0136 ~~request shall not be~~ required to make the contribution provided
0137 in subsection (1)(b) and the state board of regents shall provide a

, whether or not such person has satisfied the two-year waiting period requirement under subsection (1)(a),

by a

who is

as

such person shall not be required to make such contribution

8%

0138 sum equal to ~~7%~~ of the gross annual salary of the member of the
0139 faculty or other person and shall purchase for and on behalf of
0140 each ~~member of the faculty or other~~ person whose salary has
0141 been so reduced a retirement annuity contract or contracts, the
0142 annual premiums for which shall be equal to the sum of the
0143 amount of the salary reduction of the member of the faculty or
0144 other person and the amount paid by the state board of regents.

such

In the event of such request by a faculty member or other person who is serving the two-year waiting period pursuant to subsection (1)(a) who is not required to make the contribution as provided in subsection (1)(b), the state board of regents shall purchase for and on behalf of each such person whose salary has been so reduced a retirement annuity contract or contracts, the annual premiums for which shall be equal to the sum of the amount of the salary reduction of the member of the faculty or other person, but the state board of regents shall not provide the sum equal to 8% of the gross annual salary of such person as provided for such person who is required to make the contribution as provided in subsection (1)(b).

0145 Such retirement annuity contracts may be purchased by the state
0146 board of regents from companies described in subsection (2)(a)
0147 and subsection (2)(b) or from noninsurance companies who offer
0148 retirement plans that meet the requirements of section 403(b) of
0149 the internal revenue code of 1954 as amended, except that the
0150 state board of regents may require that the first 5% of the gross
0151 amount of such person's annual salary which is reduced under
0152 this subsection (4) and the amount equal to ~~7%~~ of the gross
0153 amount of such person's annual salary which is provided by the
0154 state board of regents for the purchase of retirement annuity
0155 contracts under this subsection (4) shall be used to purchase such

8%

, if required to be provided under this subsection (4),

0156 retirement annuity contracts from such company or companies as
0157 may be designated by the state board of regents for such pur-

0158 poses. The director of accounts and reports is authorized to draw
0159 warrants on the state treasurer upon the filing with the director of
0160 proper vouchers for the amount of the premium on the retire-
0161 ment annuity contract to be paid pursuant to the terms of such
0162 contracts and this act.

0163 (5) (a) All employees who are described in subsection (1)(a)
0164 and who commence such employment on and after July 1, 1976,
0165 shall receive assistance under subsection (1) and shall be cov-
0166 ered by a valid retirement annuity contract issued by a company
0167 described in subsection (2).

0168 (b) All employees who are described in subsection (1)(a) and
0169 who are receiving participating service credit under the Kansas
0170 public employees retirement system after the effective date of
0171 this act and prior to July 1, 1976, shall file a written statement of
0172 election on or before July 1, 1976, with the board of trustees of
0173 the Kansas public employees retirement system to participate
0174 under the plan described in subsection (2) in lieu of receiving
0175 participating service credit under that system. Failure to file
0176 such written election shall be presumed to be an election not to
0177 participate in such plan and to continue receiving such partici-
0178 pating service credit under that system. Such election, whether
0179 to participate in such plan or not to participate in such plan, shall
0180 be effective on August 18, 1976, and shall be irrevocable.

0181 (c) For each employee who elects under this subsection (5) to
0182 participate in a plan described in subsection (2), there shall be
0183 transferred on or after August 18, 1976, from the Kansas public
0184 employees retirement fund to such plan an amount equal to the
0185 sum of (i) the amount of the accumulated contributions which
0186 have been credited to the account of such employee with the
0187 Kansas public employees retirement system plus (ii) an amount
0188 equal to that actually contributed by such employee to that
0189 system. All participating service credit in the Kansas public
0190 employees retirement system of each employee who elects
0191 under this subsection (5) to participate in a plan described in
0192 subsection (2) and who has moneys transferred to such plan
0193 under this subsection (5)(c), shall be forfeited and canceled and
0194 may not be purchased as credited service should such employee

0195 again become a member of that system under K.S.A. 74-4911 and
0196 amendments thereto. Nothing in this subsection (5) shall have
0197 the effect or be construed to have the effect of forfeiting and
0198 canceling any prior service credit under the Kansas public em-
0199 ployees retirement system of any employee who has participat-
0200 ing service credit thereunder forfeited and canceled under this
0201 subsection (5). All participating service credit that is forfeited
0202 and canceled under this subsection (5) shall be recognized for
0203 the purpose of determining a vested benefit as provided in
0204 subsection (3) and as provided in K.S.A. 74-4917 and amend-
0205 ments thereto if the employee again becomes a member of that
0206 system under K.S.A. 74-4911 and amendments thereto.

0207 (d) Any employees who are described in subsection (1)(a),
0208 who are employed prior to July 1, 1976, and who will not have
0209 completed one year of continuous service prior to July 1, 1976,
0210 shall elect in the manner prescribed in subsection (5)(b) to
0211 participate in a plan described in subsection (2) and such elec-
0212 tion shall be irrevocable.

0213 (e) No employee who elects under subsection (5)(b) to par-
0214 ticipate in the plan described in subsection (2) shall be subject to
0215 any waiting period prescribed by this section but shall partici-
0216 pate and receive assistance under this section in such plan from
0217 and after the effective date of the election.

0218 (6) (a) All employees who are described in subsection (1)(a)
0219 and who did not have an election under subsection (5) and who
0220 are either receiving participating service credit or completing
0221 the one year of service prior to membership under K.S.A. 74-
0222 4911 and amendments thereto under the Kansas public employ-
0223 ees retirement system after the effective date of this act and prior
0224 to July 1, 1977, shall file a written statement of election on or
0225 before July 1, 1977, with the board of trustees of the Kansas
0226 public employees retirement system to participate under the
0227 plan described in subsection (2) in lieu of receiving participating
0228 service credit under that system. Failure to file such written
0229 election shall be presumed to be an election not to participate in
0230 such plan and to continue receiving such participating service
0231 credit under that system. Such election, whether to participate in

0232 such plan or not to participate in such plan, shall be effective on
0233 the first day of the payroll period coinciding with or following
0234 August 1, 1977, and shall be irrevocable. No employee who
0235 elects under this subsection (6) to participate in the plan de-
0236 scribed in subsection (2) shall be subject to any waiting period
0237 prescribed by this section but shall participate and receive
0238 assistance under this section in such plan from and after the
0239 effective date of the election.

0240 (b) For each employee who elects under this subsection (6)
0241 to participate in a plan described in subsection (2), there shall be
0242 transferred on or after the first day of the payroll period coincid-
0243 ing with or following August 1, 1977, from the Kansas public
0244 employees retirement fund to such plan an amount equal to the
0245 sum of (i) the amount of the accumulated contributions which
0246 have been credited to the account of such employee with the
0247 Kansas public employees retirement system plus (ii) an amount
0248 equal to that actually contributed through payroll deductions by
0249 such employee to that system. All participating service credit in
0250 the Kansas public employees retirement system of each em-
0251 ployee who elects under this subsection (6) to participate in a
0252 plan described in subsection (2) and who has moneys transferred
0253 to such plan under this subsection (6)(b) shall be forfeited and
0254 canceled and may not be purchased as credited service should
0255 such employee again become a member of that system under
0256 K.S.A. 74-4911 and amendments thereto. Nothing in this sub-
0257 section (6) shall have the effect or be construed to have the effect
0258 of forfeiting and canceling any prior service credit under the
0259 Kansas public employees retirement system of any employee
0260 who has participating service credit thereunder forfeited and
0261 canceled under this subsection (6). All participating service
0262 credit that is forfeited and canceled under this subsection (6)
0263 shall be recognized for the purpose of determining a vested
0264 benefit as provided in subsection (3) and as provided in K.S.A.
0265 74-4917 and amendments thereto if the employee again becomes
0266 a member of that system under K.S.A. 74-4911 and amendments
0267 thereto.

0268 (c) Any employees who are described in subsection (1)(a),

0269 who are employed prior to July 1, 1977, and who will not have
 0270 completed one year of continuous service prior to July 1, 1977,
 0271 shall elect in the manner prescribed in subsection (6)(a) to
 0272 participate in a plan described in subsection (2) and such elec-
 0273 tion shall be irrevocable.

0274 (7) Any employee of the state board of regents or of an
 0275 educational institution under its management, other than an
 0276 elected official, who is receiving or is eligible for assistance by
 0277 the state board of regents in the purchase of a retirement annuity
 0278 under this section and who becomes ineligible for such assist-
 0279 ance because such employee's position is reclassified to a posi-
 0280 tion in the classified service under the Kansas civil service act or
 0281 who becomes ineligible for such assistance because such em-
 0282 ployee transfers to a position in the classified service under the
 0283 Kansas civil service act with the state board of regents or an
 0284 educational institution under its management, shall become a
 0285 member of the Kansas public employees retirement system in
 0286 accordance with the provisions of subsection (5) of K.S.A. 74-
 0287 4911 and amendments thereto, unless such employee files a
 0288 written election in the office of the Kansas public employees
 0289 retirement system, in the form and manner prescribed by the
 0290 board of trustees thereof, to remain eligible for assistance by the
 0291 state board of regents under this section prior to the first day of
 0292 the first complete payroll period occurring after the effective
 0293 date of such reclassification or transfer. Failure to file such
 0294 written election shall be presumed to be an election not to
 0295 remain eligible for assistance by the state board of regents under
 0296 this section and to become a member of the Kansas public
 0297 employees retirement system under subsection (5) of K.S.A.
 0298 74-4911 and amendments thereto. Such election, whether to
 0299 remain eligible for such assistance or to become a member of
 0300 such system, shall be effective as of the effective date of such
 0301 reclassification or transfer and shall be irrevocable.

0302 ^ Sec. 2. K.S.A. 1986 Supp. 74-4925 and 74-4925c are hereby
 0303 repealed.

0304 Sec. 3. This act shall take effect and be in force from and
 0305 after its publication in the [statute book]

(8) The state board of regents shall adopt uniform policies applicable to members of the faculty and other persons, who are employed by the state board of regents or by any educational institution under its management and supervision and who are in the unclassified service under the Kansas civil service act as provided in subsection (1)(f) of K.S.A. 75-2935 and amendments thereto, for the purposes of administering the provisions of this section and the provision of retirement annuities and other benefits hereunder. All assistance provided by the state board of regents for such persons, and agreements entered into therefor, pursuant to this section prior to the effective date are hereby authorized, confirmed and validated.

Kansas register

TESTIMONY ON HOUSE BILL 2411
RICHARD L. MANN
UNIVERSITY OF KANSAS
APRIL 2, 1987

I am here today to testify concerning H.B. 2411 and to enlist your support in amending the bill. As it is currently drafted, the bill could create severe problems for the University of Kansas and the other Regents institutions. The bill governs the unclassified and faculty basic retirement program and specifically addresses the waiting period which new employees coming into the Regents system would have to observe before becoming members of the basic retirement program. As drafted, the bill requires that a faculty member or unclassified employee coming to a Regents institution will have to wait two years before participating in the basic retirement program. Only those individuals who were enrolled in their prior institution's pension program under one of the four companies currently providing the Regents pension plan (TIAA/CREF, Aetna, Lincoln National, or Union Mutual) would be allowed to participate immediately in the Regents program.

Our concern is that recruitment of experienced faculty and unclassified personnel will be severely hurt by this requirement. Many universities do not have retirement plans with the companies under the Board of Regents pension program. For example, the University of Illinois, the University of California and the University of Texas pension plans are with other companies or are state-operated. In addition, we also recruit large numbers of people from industry and government who will not have participated in pensions plans with the four companies and they, too, would be subject

ATTACHMENT 2

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to the 2-year waiting period. Most other universities require, at most, a one-year waiting period.

As you can see, we believe this bill would seriously injure our recruiting efforts. We would appreciate an amendment of the bill to allow individuals who are vested in any valid pension program immediately prior to coming to a Regents institution to participate immediately in the Regents retirement program. In addition, we request that the waiting period be reduced to one year, consistent with the KPERS waiting period and consistent with the waiting period at most other universities. Finally, we ask that line 0057 be amended to make clear that the reference is to the voluntary tax sheltered annuity plan offered by the Regents. This voluntary program is offered in addition to the Regents basic retirement program.