

Approved 7/23/88  
Date

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

The meeting was called to order by Rep. Vernon L. Williams at  
Chairperson

9:00 AM a.m./p.m. on February 4, 1988, 19   in room 527-S of the Capitol.

All members were present except: Representatives J. C. Long, Norman Justice and Ivan Sand, who were excused.

Committee staff present: Alan Conroy, Leg. Research

Richard Ryan, Leg. Research

Gordon Self, Revisor's Ofc.

Conferees appearing before the committee: Betty Lou Chidester, Secretary

Marshall Crowther, KPERS Exec. Director

Meeting was called to order by the Chairman.

The Chairman asked for permission to revise the KPERS bill Drafts - Summary Requests for Committee Bills approved in the Feb. 3rd meeting of the committee, by deleting 7 RS 2042, (see attachment # 1). Upon motion by Rep. Wisdom and seconded by Rep. Ott approval was given for the deletion.

The Chairman asked Alan Conroy of Legislative Research to give a status report on the holdover bills. A copy of Alan's report is attached and made a part of these minutes. (see attachment #2)

Rep. Wilbert questioned the source of money in the General Fund to fund KPERS improvements if the Governor did not include that amount in his budget each year. Marshall Crowther, KPERS, offered the following information relating to the question: No recommendation by the Governor has been made this year in the budget for the money - but that the practice in the last 5 or 6 years has been that at the time of enacting retirement provisions that have a fiscal note to either by an appropriations bill, or some other action taken during the session to adjust the employer contribution rate to provide the necessary funds. The KPERS experience was dictating lower rates for future years and the timing process for determining rates was such that the new information would be obtained during the session, usually during March. Actually, the contribution rates have been certified through the year 1990, so there will be no KPERS rates rising during this session. If one or more of these bills are enacted during this session, and no other provision has been made that does have

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS,  
room 527-S, Statehouse, at 9:00 AM a.m./p.m. on Feb. 4, 1988, 19   .

fiscal note that is known, then, under the law the rates would be automatically adjusted in the next actuarial evaluation cycle which would mean that next year's rate would be received and certified for the fiscal year 1991. That would be a departure from what most of the legislators in this committee have been used to while serving in this capacity. But it would not be a departure from KPERS past practice from 1962 to 1981. The practice in recent years has been to adjust rates concurrent with passage to be sure everyone was aware of the future costs in the obligations taken on. There are some alternatives and he will be happy to respond to any legislator's questions and give information concerning the problem.

The Chairman advised that the bills approved in yesterday's meeting will be introduced in today's session and will be considered in the coming weeks.

The Chairman urgently reminded the members to be present at the meeting next Tuesday, Feb. 9, when John Mackin will be present to present the results of the 1987 Interim Study regarding retirants' health insurance coverage.

On motion made by Rep. Dyck and seconded by Rep. Wisdom, it was approved for the following bills to be recommended adversely: HB 2031, HB 2033, HB 2440 and HB 2499.

The meeting was adjourned at 9:37 AM.

*Rep. [Signature]*

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

NAME	ADDRESS	ORGANIZATION	BILL NO.
Michael Parsons	9335 Nelson Ln	KCKFD	ALL
J.A. Ladd	2946 So Elm	Wichita	Pension
Jerry Marshall	318 JEFFERSON <sup>S</sup>	KSCFF	Pension
Richard Ryan	Legis Res Dept		
Alan Conway	" " "		
Ray Clark	Topick	KNFA	MI
Barbara Reineit	"	KPOA	-
Marjorie ...	Lawrence	UPER	
John ...	Topick		
Bob Giffin	TOPEKA	KHP	-

## MEMORANDUM--Revised

TO: Committee on Pensions, Investments & Benefits  
FR: Gordon Self  
RE: KPERS Bill Drafts--Summary of Requests for Committee Bills

1. 7 RS 1813. Provides that the excess, if any, of accumulated contributions of deceased retirant shall be paid to joint annuitant's beneficiary after death of the joint annuitant.

2. 7 RS 1925. Increasing the lump-sum death benefits from \$2,500 to \$3,000.

3. 7 RS 1926. Early retirement after age 55 and 10 years service.

4. 7 RS 1927. KP&F. Normal retirement after 25 years of service and ending disability benefits for members after July 1, 1988, for service-connected incidents.

5. 7 RS 1940. Service credit to members employed by the University of Wichita prior to July, 1964, basis for school board service and purchase of participating service credit for periods of active duty for training in armed forces of the United States.

6. 7 RS 1979. Participating employer to pay to system the amount of retirement benefit and other payments of a retirant hired by the participating employer.

7. 7 RS 1982. Provide vested retirement benefit after six years of credited service.

8. 7 RS 2000. Provide 1.25% credit for prior years service and 1.5% credit for participating service after 25 years of service.

9. 7 RS 2039. Normal retirement at age 62 with 30 years of service and same provision for prior and participating service as in 8.

10. 7 RS 2041. Final average salary to be based on the average highest annual compensation paid to member for any three years of participating service and excluding lump-sum payment for accumulated sick or annual leave from determination of final

average salary.

11. 7 RS 2043. Normal retirement at age 60 with 35 years of credited service and at any age with 40 years of credited service made permanent.



MEMORANDUM

February 4, 1988

FROM: Kansas Legislative Research Department

RE: 1987 Bills in House Pensions, Investments, and Benefits  
Committee

H.B. 2029 -- Provides that employees of the Department of Corrections employed after June 17, 1987, will have the same coverage and benefits as all other KPERS employees. Sponsor: Special Committee on Ways and Means (1987)

Fiscal Note No. 67 -- There would be a savings to the state in future employer contributions for correctional employees, although the exact amount is not determinable. The FY 1989 employer contribution rates for KPERS Correctional Group A is 6.55 percent and for Group B is 4.24 percent. The regular KPERS employer contribution for FY 1989 will be 3.04 percent.

H.B. 2030 -- Provides that any member of the Judges' Retirement System who qualifies for disability benefits under that system shall receive a minimum disability benefits of at least 25 percent of final average salary. Authorizes the increase of KPERS disability coverage from 60 percent to 65 percent of annual compensation if favorable experience will permit. Local government KP&F members may participate in the optional group life insurance program. KPERS group life coverage is extended to all members of KP&F. The five year service requirement for non-duty death and disability coverage under KP&F is eliminated. A minimum 25 percent of final average salary non-duty disability benefit is established under KP&F. KP&F disability retirants whose disability occurs after June 30, 1987, are subject to an annual reduction equal to 50 percent of the member's earnings from employment in the previous year, however, no reduction can be more than 50 percent of the member's benefit. Sponsor: Special Committee on Ways and Means (1987).

Fiscal Note No. 66 - Increase in the employer contribution of approximately .5 percent for KP&F employers. KP&F State-\$68,845 (State General Fund or SGF \$60,859) and KP&F Local-\$420,180.

Comment: The following provisions of the bill were contained in H.B. 2354: minimum disability benefits for members of the Judges' Retirement System (25 percent; increased the allowable insured disability benefit from 60 percent to 65 percent of the employee's annual rate of compensation; optional group life insurance for KP&F members, for those local units of government that elect to participate in such a program; eliminated the KP&F five-year service requirement for nonduty death and

disability benefits; established a minimum KP&F disability benefit of 25 percent.

- delete*
- H.B. 2031 -- Provides that KPERS school and nonschool members may retire upon attainment of age 55 with 30 years of credited service. Such early retirement will be subject to an additional reduction of .6 of one percent for each month between age 55 and 60. Sponsor: Special Committee on Ways and Means.

Fiscal Note No. -- None on file. KPERS Estimate - No cost; Full actuarial cost for enhancement to retiree.

Comment: Provision contained within 1987 H.B. 2354, except 15 years of credit service required.

- delete*
- H.B. 2033 -- Provides that commencing with FY 1988, county extension agents employed by Kansas State University under certain statutory provisions will no longer be eligible for TIAA-CREF assistance. Sponsor: Special Committee on Ways and Means.

Fiscal Note No. 112 - Would reduce SGF expenditures by \$5,772 assuming six individuals affected have satisfied the necessary waiting period for retirement. Long term fiscal effect of the act would be to reduce expenditures from all funds by approximately \$259,000.

Comment: Provision contained within 1987 H.B. 2354.

- H.B. 2230 -- Permits participation in the state health care benefits program by KPERS retirees who were covered by the plan immediately prior to retirement. The bill finances the plan with the retiree paying half of the premium and the other half financed from deductions of .5 percent from active employees. Sponsor: Representative Williams.

Fiscal Note No. 179 -- The .5 percent deduction from active employees would generate \$10.2 million - \$2.6 million from state nonschool employees, \$1.9 million from local nonschool employees, and \$5.7 million from school employees. The amount generated of \$10.2 million compares to the estimated first-year premium costs of \$8.6 million which reflects one-half of the premium costs for 31,113 KPERS retirees as of December 1, 1986. Identified administrative costs are estimated at \$200,912.

- H.B. 2231 -- Lowers KPERS early retirement age from 60 to 55. Provides a full actuarial reduction of .6 of 1 percent for each month between 55 and 60. For members with 30 or more years of service, the reduction for each month between 55 and 60 is .4 of one percent. Sponsors: Representatives Williams, Baker, Ott, Sand, Schauf, Spaniol and Wilbert.

Fiscal Note No. 221 - Increase the KPERS employer contribution by .3 percent. The additional KPERS Nonschool-State employer contribution would be \$1.5 million (\$.9 million SGF); KPERS Nonschool-Local \$1.1 million; KPERS School \$3.4 million (all SGF); total impact \$6.0 million of which \$4.3 million would be from the SGF.

Comment: See comment on H.B. 2031.

- H.B. 2232 -- Amends the KP&F heart and respiratory presumption of death and disability to exclude members who have regularly used tobacco products during the five years immediately preceding death or disability. Sponsor: Representative Williams.

Fiscal Note No. 195 - There would be some saving, but the amount cannot be estimated.

- H.B. 2233 -- Increase the KPERS allowance for prior and participating service from one percent to 1.4 percent for both active and retired members. Increases the death benefit for all retirants from \$2,000 to \$3,000. Sponsors: Representative Williams, Baker, Ott, Sand, Schauf, Spaniol, and Wilbert.

Fiscal Note No. 220 - Increase the employer contribution for KPERS School by 2.0 percent and for KPERS Nonschool 2.5 percent. KPERS Nonschool State \$10.3 million (\$6.1 million SGF); KPERS Nonschool Local (\$7.5 million); KPERS School (\$28.5 million all SGF); total impact \$46.3 million of which \$34.6 million would be from the SGF.

Comment: 1987 H.B. 2354 did increase the death benefit from \$2,000 to \$2,500 for all KPERS retirants.

- H.B. 2234 -- Changes the definition of final average salary from four to three years for future retirants. Increase the amount for KPERS prior service from 1.0 percent to 1.5 percent and the amount for participating service from 1.4 percent to 1.5 percent. The change in prior and participating service credit is applicable to all active and retired members. Sponsors: Representatives Williams, Baker, Ott, Sand, Schauf, Spaniol, and Wilbert.

Fiscal Note No. 316 - Increase the employer contribution for KPERS Nonschool by 2.5 percent and for KPERS School by 2.9 percent. KPERS Nonschool State \$12.9 million (\$7.6 million SGF); KPERS Nonschool Local \$9.4 million; KPERS School \$33.0 million (all SGF); total impact \$55.3 million of which \$40.6 million is from the SGF.

- H.B. 2321 -- Requires divestiture of investments with the government of South Africa or companies having contact with the Republic of South



Africa as defined in the bill by the Pooled Money Investment Board and KPERS. Future investments as defined are prohibited and a phase- in divestiture is provided in the bill. Sponsor: Representative Justice.

Fiscal Note No. 150 - Not possible to estimate.

- H.B. 2333 -- Permits participation in the state health care benefits program by KPERS retirants who were covered by group plans immediately prior to retirement. Participants will pay the entire cost of such participation. Sponsors: Representatives Laird, Barkis, Blumenthal, et al.

Fiscal Note No. 180 -- Exact impact on the state health group not estimated at this time. Known administrative costs are estimated at \$200,912.

- H.B. 2334 -- Limits participation in the Judges' Retirement System to current members. Future judges would participate in KPERS. Sponsor: Representative Laird.

Fiscal Note No. None - KPERS estimated future savings since employer contribution rate for Judges' Retirement System is 8.7 percent versus the regular KPERS rate of 3.9 percent (at that time).

- H.B. 2335 -- Provides for normal retirement under KPERS at any age with the completion of 35 years of credited service. Sponsors: Representatives Laird, Barkis, Bowden, Brady, et al.

Fiscal Note No. 315 - Increases the employer contribution rate for KPERS Nonschool by 1.0 percent and KPERS School by .9 percent. KPERS Nonschool State \$5.1 million (\$3.0 million SGF); KPERS Nonschool Local \$3.8 million; KPERS School \$10.2 million (all SGF); total impact \$19.2 million of which \$13.2 million would come from the SGF.

- H.B. 2336 -- Makes the retirant dividend payment (13th check) payable to all present and future retirants. Sponsors: Representatives Laird, Barkis, Bowden, Brady, et al.

Fiscal Note No. 313 - Increase to the employer contribution of 1.1 percent for KPERS Nonschool and 1.2 percent for KPERS School. KPERS Nonschool (State) \$5.7 million (\$3.4 million SGF); KPERS Nonschool Local \$4.1 million; KPERS School \$13.7 million (all SGF); total impact \$23.5 million of which \$17.1 million would come from the SGF.

- H.B. 2345 -- Permits participation in the state health care benefits program by KPERS retirants who were covered by the plan immediately

prior to retirement. The state will pay all or part of the retirants' contributions. Sponsors: Representatives Laird, Charlton, Cribbs, Hensley, Sawyer, Sughrue and Wisdom.

Fiscal Note No. - None. KPERS estimate \$17.2 million of which \$9.46 million would come from the SGF.

- H.B. 2346 -- Increase the amount for KPERS participating service after June 30, 1982, for current and future retirants to 1.6 percent. For members who retire after June 30, 1988, with at least 10 years of participating service, all participating service will be calculated at 1.6 percent. Sponsors: Representatives Laird, Barkis, Bowden, Branson, et al.

Fiscal Note No. 314 - Increases employer contributions for KPERS School by 1.0 percent and for KPERS Nonschool by 1.5 percent. KPERS Nonschool State \$7.7 million (\$4.6 million SGF); KPERS Nonschool Local \$5.6 million; KPERS School \$11.4 million (all SGF); total impact \$24.7 million of which \$16.0 million would come from the SGF.

- H.B. 2347 -- Increase employee contributions for all who become judges on after June 18, 1987, from 6 percent to 12 percent. Provides that such individuals who complete 20 years of service and attain age 65 will have their employee contributions reduced to eight percent. *Laird, et al*

Fiscal Note No. 209 - The employer contribution rate would decrease from 8.4 percent to .3 percent. This would maintain the employer contribution for group life and disability insurance. The exact savings in the future cannot be determined.

- H.B. 2401 -- Would provide a statutory presumption that death and disability resulting from cancer is service connected for members of KP&F with five or more years of service. Sponsor: Committee on Insurance (1987).

Fiscal Note No. 255 - Increase of the KP&F employer contribution rate of .2 percent. KP&F State \$27,538 (\$24,344 SGF); KP&F Local (\$168,072); total impact \$195,610 of which \$24,344 is from the SGF.

- H.B. 2440 -- Provides that members of USD #500 (Kansas City, Kansas) local retirement plan will have their employee contributions "picked-up" for federal income tax purposes. Sponsor: Committee on Pensions, Investments and Benefits (1987).

*facts*  
Fiscal Note No. Not on file.

Comment: Provision included in 1987 H.B. 2354.

- delete*
- H.B. 2499 -- Permits local KPERS employers to provide insured death and disability coverage and service-connected death coverage for employees in the "year of service". Sponsor: Committee on Pensions, Investments, and Benefits (1987).

Fiscal Note No. None on file. KPERS estimate - No cost.

Comment: Provision contained in 1987 H.B. 2354.

- H.B. 2590 -- Two percent increase for all who retired prior to January 1, 1986. Provides three year final average salary for those who retire after July 1, 1987. Provides 1.5 percent for participating service after June 30, 1987. Provides members who retire on or after August 1, 1987 with 10 or more years of service will receive 1.5 percent for all participating service. Provides the employer rate of contribution shall not be less than the employee rate of contribution. Sponsor: Committee on Appropriations (1987).

Fiscal Note No. None on file. KPERS estimate - Increase employer contributions by 1.0 percent. KPERS Nonschool State \$5.1 million (\$2.8 million SGF); KPERS Nonschool Local \$3.8 million; KPERS School \$11.3 million (all SGF); total impact \$20.2 million of which \$14.1 million would come from the SGF.

Comment: Two percent increase for all who retired prior to January 1, 1986 and 1.5 percent of final average salary for all individuals who retire on or after August 1, 1987 with at least 35 years of credited service are both contained within 1987 H.B. 2354.

- H.B. 2616 -- Relates to post retirement employment by school employees and provides that if they re-enter school service they must either forfeit benefits while employed or revoke their retirement. Sponsor: Committee on Appropriations (1987).

Fiscal Note No. None on file.

- S.B. 8 -- Provides that contributions of members of the Judges' Retirement System will be reduced from six percent to four percent at such time as they have accrued enough service to entitle them to the maximum monthly retirement benefit of 65 percent of final average salary. Also, provides that judges retiring on and after July 1, 1987, shall have their final average salary based on the highest four years of the last ten years of service as a judge. Sponsor: Special Committee on the Court System (1987).

Fiscal Note No. 18 - Total cost to the SGF of \$82,521 in additional employer contributions.

Comment: Provision that members' contributions will be reduced from 6 percent to four percent at such time as they have

accrued enough service to entitle them to the maximum monthly retirement benefit of 65 percent of final average salary and that all judges retiring on and after July 1, 1987, will have their final average salary based on the highest four years of the last ten years of service as a judge are both contained within 1987 H.B. 2354.

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