

Approved _____
Date 2/23/88

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

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

9:00 AM a.m./p.m. on Wednesday, Feb. 17, 1988, 19__ in room 527-S of the Capitol.

All members were present except: All present

Committee staff present: Alan Conroy, Richard Ryan, Gordon Self, Betty Lou Chidester

Conferees appearing before the committee:
Gerry Henderson, Executive Director, United School Administrators of KS (USA)
Howard Shuler, Supt. Auburn-Washburn, representing USA
Jack Hobbs, Supt., McPherson
Ellen Schirmer - Teacher, Holton
Craig Grant, KNEA
Basil Covey, KRTA
Charles Dodson, KAPE
John W. Koepke, Executive Director Kansas Association of School Boards

The Chairman called the meeting to order and asked for a motion to report the following bills adversely: HB 2030, HB 2031, HB 2033, HB 2230, HB 2231, HB 2233, HB 2234, HB 2336, HB 2346, HB 2347, HB 2440, HB 2499, HB 2590. Upon motion made by Rep. Wilbert, Seconded by Rep. Justice, the motion passed.

The Chairman then asked approval of the introduction of a committee bill concerning the state health care benefits program as relating to a voluntary program. The bill would be referred back to this committee for our discussion. Upon motion made by Rep. Sutter, seconded by Rep. Kennard, the motion passed.

The Chairman explained the hearing today concerns HB 2784, which would make permanent the two windows of opportunity that were created two years ago and were to be for two years only. This bill would make permanent that window that allowed those with 40 years of service to retire with benefits at any age. The other was a window that would allow full benefits for someone retiring who was at least 60 years of age after 35 years of service. Those are due to expire July 1st and there is considerable interest to make them permanent.

The first conferee Gerry Henderson, Executive Director United School Administrators of Kansas was welcomed to the committee by the Chairman.

His introductory remarks were very complimentary to the chairman and this committee as a whole for introducing what he considers to be the first really good early retirement opportunity for his people. The spectre of the closed window now also makes them a little shaky. The committee as a whole has worked hard to design a system that will say to our members and other public employees 'you are important' and we are appreciative of that. His complete testimony is attached to and made a part of these minutes. (See Attachment #1)

The Chairman asked the committee to take note of what questions they wanted to ask of whom at the end of all the presentations.

The next conferee welcomed to the committee was Howard Shuler, Superintendent Auburn & Washburn, representing USA.

Mr. Shuler pointed out that the early retirement window is one very positive benefit for several reasons, and sincerely hopes it will become permanent. It would provide an attractive option to current members - would be attractive selling point for our state, and it would leave in place a very viable vehicle to continue to improve early retirement benefits. His complete testimony is

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS

room 527-S, Statehouse, at 9:00 AM a.m./p.m. on Wed. Feb. 17, 1988, 19

attached to and made a part of these minutes. (See Attachment #2)

The Chairman then welcomed Jack Hobbs, Superintendent, McPherson. He did not have a written report to give but just wanted to appear to support HB 2784. There is a lot of concern by administrators in the central part of Kansas, especially in McPherson. They are concerned they will lose a lot of valuable employees if they see the opportunity to retire early disappear when this window closes the first of July. They foresee difficulty in being able to maintain their good position in recruiting good teachers for their system if this window closes. We do understand there is a fiscal note on this bill and if it is not possible to keep this window open, we would hope another can be opened that can be made permanent.

The Chairman then welcomed Ellen Shirmer, teacher in the Holton School System. She pointed out that through the years they have had to encourage children to become teachers because they wanted careers with higher earning power. She supports the window becoming permanent and has for the past two years been able to tell students of the improvement in earning power, the career advantages, and a retirement system that is somewhat comparable to other Kansas careers. If this window is not extended or made permanent, this will certainly change the total career considerations for future teachers. Her complete testimony is attached to and made a part of these minutes. (See Attachment #3).

The Chairman then welcomed Craig Grant, representing KNEA.

Craig mentioned that they were very pleased two years ago when the legislature put into effect the first real possibility for our members to retire with full benefits after 40 years of service or 35 years of service at age 60. Forty years is a long time to serve and we also have many of our people who are 60 and have served 35 years for the children of the state and they feel they deserve an opportunity to retire and be able to enjoy that retirement. We have made a number of requests for improvements in the KPERS system upping the multiplier factor, reducing from 4 to 3 the final average salary. There is no other provision of the KPERS system that's more on the mind of our members than this. I average 2 or 3 calls per day for the last 3 or 4 months from those concerned about keeping the provisions of the window, or at least extending those provisions so they might have a change to utilize them. Many of the calls I've had are from people who could qualify right now under the provisions of the retirement window, but they don't want to retire right now. They want to wait another year or two to retire as they had planned on doing. I believe many of them, if the window is closed, will take advantage of the retirement right now. We are definitely in favor of the provisions of HB 2784.

The Chairman then welcomed Basil Covey to the committee.

Mr. Covey represents the Kansas Retired Teachers Association and he noted that in 1955 he was superintendent in Holton school district and established a salary schedule that year, with the beginning salary of \$3,200.00. The retired teachers support HB 2784 that makes permanent the KPERS "windows" for retirement without reduction after completion of 40 years of service or 35 years of service and reaching age 60. His written testimony is attached to and made a part of these minutes. (See Attachment #4).

The Chairman then welcomed Charles Dodson, KAPE, to the committee

He remarked that there are two groups of employees who have reached 35 years of service, those who like their jobs and those who don't. It should be obvious which group is the most productive and, we would expect those who do enjoy their jobs and are more productive not to take advantage of the earlier retirement provisions. However, if we allow the window to close we may be forcing them to retire now. Allowing the early retirement provisions to become a permanent feature just makes good business sense and is sound management policy. His written testimony is attached to and made a part of these minutes. (See Attachment #5)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS,

room 527-S Statehouse, at 9:00 AM a.m./p.m. on Wednesday Feb. 17, 1988, 19 .

The Chairman then welcomed John Koepke, Executive Director, Kansas Association of School Boards to the committee.

Mr. Koepke pointed out that school boards did not normally take a position on retirement issues, but the Delegate Assembly of the Kansas Association of School Boards has taken the position in support of the extension of the early retirement windows and expresses its full support for the permanent extension of this early retirement if it is shown to be actuarially sound. His written testimony is attached to and made a part of these minutes. (See Attachment #6)

The Chairman asked Marshall Crowther to relate the experience to date and to explain what is meant by "80 and out", "85 and out"; and "90 and out", and if he had information on a fiscal note.

Mr. Crowther explained that the normal retirement age under KPERS is 65. There are early provisions for early retirement for those with 10 or more years of service and have attained at least age 60. There is also a reduction which is less than actuarially of .3 of 1% for each month they retire before attainment age 65. So, depending upon retirement age, the greatest reduction is 18% retiring at age 60 with 10 or more years of service. As a result of legislation which was enacted last year, KPERS members who had attained age 55 and would have 15 years of service can also retire. They have the reduction not only of the 5 years between then and age 65, but a further reduction of .6 of 1% for each month between age 55 and age 60. So, the maximum reduction for someone going out at age 55 under those provisions would be 54% - a very sizeable reduction. Experience since 1981 has been that of all the retirants each year, whether it's the school or state employees, half or more retire early, even with these reductions. That without any windows or incentives half or more retirements each year were by individuals who would not have reached 65 elected to take some kind of reduction for retirement.

One of the things of particular interest is whether we have any experience or figures of retirements since the enactment of the windows that might be of interest to the committee in their deliberation. One clear statistic is that 14 individuals have retired without reduction and they had 40 years or more of service. Since the opening of the window 525 individuals who have retired without a reduction because of the attainment of 40 years of service or because of the attainment of the age of 60 and 35 or 40 years of service. Obviously, aside from the 14 who retired before the attainment of 60 years, until last year that was not possible - the window was the factor that led to their retirement. The problem with anyone trying to develop statistics in the effect of the window is that all of the other 511 were eligible to retire, and whether you want to make some sort of assumption that half of them would retire anyway whether they were in one group or the other depends probably on your outlook. So there's nothing that we can offer with regard to the effect of the window as a motivational factor one way or the other with regard to those retirements. Of the 511 who were at least age 60, I believe that 90 of them had 40 or more years of service, but again, they were all eligible to retire. There are 400 or 500 of them or almost half who are under age 60, but those statistics are of Jan. 1, 1986. The window is an opportunity for individuals who have not attained the normal retirement age of 65 to retire without a reduction and it's a different approach to the same thing mentioned by the chairman. 80, 85 or 90 point systems all are basically a combination of age and years of service - when some one has 80 points it means he has attained age 50 and has 35 years of service, etc.

We received notice today relating to employer/rate costs. It is our estimation that to make these windows permanent, would increase the employer rate of contribution by .7% of covered payroll. Putting that in dollar figures and based on estimated covered payrolls for the fiscal year 1989 would increase employer contributions for school employees, (paid by the state from the general fund) of 8.53 million dollars annually. The state employees would increase about 3.85 million dollars annually. The estimates of possibly \$2.23 million from the general fund and using the estimated payrolls of local units of government would be an additional annual amount of 3.25 million.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON PENSIONS, INVESTMENTS & BENEFITS,
room 527-S, Statehouse, at 9:00 AM a.m./p.m. on Wednesday, Feb. 17, 1988, 19 .

The Chairman then opened the floor to the committee members to ask questions.

In response to a question from Rep. Guldner, Mr. Crowther related that we have over the years had several point systems all a substantial cost. We will have by the end of the day on 62/30 which is part of HB 2782.

In response to a question by Rep. Borum about it costing more to retire at 65/40 than 60/35, Marshall related that the monthly retirement benefit at 65 is higher but there are 3 years of benefits that are paid out - there are 3 years of contributions that have not been received - there are 3 years of earnings that have not been included before the payout started. So you will always have a greater period of time over which these are paid. The KPERS earlier retirement factor starting at 62 is less than actuarial - there are some employer costs if the reduction at 62 was a full actuarial reduction. In effect, early retirement is already somewhat subsidized - if you want to use that term.

Rep. Ott theorized, in response to Rep. Borum's statement, that there would be less years to live after 65. He also reminded the committee that when it was decided to open this window 2 years ago, there may have been some misconception that the reason we put in a two year window was for the fact of determining cost. The only way to determine cost is to close that window, otherwise as we've heard here today, we won't know what the costs are going to be because there are going to be people continue working. I think that as a legislator in order to find out the cost, we've got to close the window. That's strictly my opinion.

The chairman closed the hearing on HB 2785.

Rep. Williams then introduced a visitor from South Africa, Jacay Mann, who is here as an exchange student. She came with the Hobbs family from McPherson.

The meeting adjourned at 9:55 AM

Rep. Van Williams

Feb 17, 1988

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.
Howard Shuler	5928 SW 59 TH	USA	
Basil Covey	Topeka	KRTA	HB2784
John Koepke	Topeka	KASB)
Jack Hobbs	McPherson	USA	2784
Linda Tuttle	Lawrence	KDOT	2784
Craig Grant	Topeka	H-WEA	
Nyla Gibbs	419 Liberty, McPherson		
Key Nam	South Africa		
Jena Hobbs	419 Liberty Dr. McPherson		
Robert Clark	321 Java, Holton		
Lt. Bob Giff	TOPEKA	KHP	
Charles Nelson	TOPEKA	KAPE	
Basil C. Clark	Manhattan		
Marcell Moore	Carbondale		
Harold Pitts	Topeka	KCOA	
Eden Schirmer	Holton	KS	
Marshall Crowther			
Billy Nolting	Topeka	KAPE	
Gerard Anderson	Topeka	USA	
Kay Francis	Topeka	Log	



HB 2784

Testimony presented before the House Committee
on Pensions, Investments and Benefits
by Gerald W. Henderson, Executive Director
United School Administrators of Kansas

February 17, 1988

Mister Chairman and Members of the Committee:

The KPERS window allowing the first real early retirement opportunity for educators and other public employees was a welcome statement to the group of people affected. The specter of a closed window also makes a statement.

While other states, some in our region, either have or are considering an "80 and out" retirement option, we in Kansas appear to have trouble maintaining a 95 and out option. Many of my members and the teachers, custodians, cooks, secretaries, and bus drivers we work with are asking, "Why is that?"

We are aware, Mister Chairman, that you are personally responsible for many if not all of the benefit improvements to KPERS in recent years. We are aware that this committee has worked hard to design a retirement system which says to public employees, "you are as important as workers in the private sector."

We appreciate these efforts and those of Marshall Crowther and the KPERS staff. We trust that the statement made two years ago will not be drowned in the sound of a slammed window.

Mr. Howard Shuler, an active member of USA, is here representing practicing administrators from across our state. I will be happy to answer questions now or at the conclusion of Howard's presentation.

GWH/ed

Attach 1

HOWARD L. SHULER
Representing The United School Administrators

PENSIONS, INVESTMENTS AND BENEFITS COMMITTEE

House Bill 2784

Dear Committee Members:

Thank you for allowing me to share with you the concerns of the United School Administrators of Kansas.

We are very appreciative of the increased benefits and progress that has been made in the retirement program of our profession.

We are certainly aware, and some of us can remember the days of the Old Teacher Retirement Program--and the then State Employees Retirement Program. Both former programs were floundering boats in a very rough and large sea. Since joining forces, we are a very large and recognizable ship, capable of navigating any waters that may be ahead.

We, the administrators of Kansas, are continually searching for methods to improve our profession. A sound attractive retirement program is certainly one of those methods, not only to improve benefits for those currently in our ranks, but to also attract the most highly qualified individuals, not just in Kansas, but also quality individuals from out of state, to our profession.

I think you would be proud to note that in the interview process that I'm involved in, the second most asked question, right after salary, is "tell me about your retirement program." Unfortunately, ten to fifteen years ago, individuals seldom asked this question.

Possibly we have become spoiled by the positive progress of KPERS. Every time there has been a trial benefit, set in for a specified time--these benefits have become a permanent part of our retirement package.

The Early Retirement Window, is one very positive benefit for several reasons, we sincerely hoped it would become permanent. One, it would provide an attractive option to current members. Two, it would be an attractive selling point for our state, and three, it would leave in place, a very viable vehicle to continue to improve early retirement benefits. We feel these benefits would bring us more in line with the private sector and with others in our profession in some of our neighboring states.

Burn out is a common buzz word in education, but I feel it equally applies to a lot of professions. A lot of people experience this phenomena, while others continue on working later and later in life.

I for one have been a school administrator for 26 years. I'm 49 years old and feel I have a lot of fire left. Ten to twelve years from now I can't tell you how my wick will be burning. Early retirement as an option and as a reward can have some positive benefits.

Another fear we as administrators have is, if the "window" is closed there may be a mass exit of a lot of folks that have alot of fire left. There are some outstanding administrators and teachers, that we feel would stay around and give stability to our ranks, that will jump on this opportunity, and I don't fault them for doing so. If the window was permanent, they might stay with us for awhile.

In a recent USA Survey 96% of those responding were in favor of making the early retirement window permanent.

You might ask, why not? if someone else is paying the bill. I was personally proud of our members when they were asked this question. Would you be willing to increase your personal contributions, if retirement benefits were improved--61% said "yes." We feel this points out the retirement is a major concern of our profession and we want the best we can afford. We are aware that a few individuals did retire last year and were immediately rehired. Creating the so called "double dipping". Even though less than 1% participated in this action, USA favors legislation that would prohibit this practice.

Our last request would be this--if the window in its current form--is absolutely not possible--we would highly encourage you to modify and provide affordable options for early retirement. Leaving in place a vehicle for future improvement.

Presented to Representative Vern Williams, Chairman
House Pension and Investment Committee

February 17, 1988

Mr. Chairman and Members of the House Pension and Investment Committee:

I am Mrs. Ellen Schirmer, a teacher in the Holton School System. As a professional educator, who has the responsibility of teaching today's children and helping them in their career decisions, it is imperative that we relay information to these children to assist them with their professional choices.

For several years we have had to encourage children to become teachers. They have looked elsewhere for careers because of the earning power. Kansas has gradually improved salaries and benefits for teachers although other parts of the country do pay more, we can explain how a teaching career helps our total society.

For the past two years we have been able to tell students of the improvement in earning power, the career advantages, and a retirement system that is somewhat comparable to other Kansas careers. If the retirement window is not extended or made permanent this certainly will change the total career considerations for future teachers.

In any occupational benefit there must be a program of reasonable stability. It is critical to the employee that these conditions do not change. If there is a need for additional financial support, consideration must be given to the sharing of this responsibility.

It appears that the KPERS retirement "window" is very discriminating to a large number of Kansas educators. During the past two years educators could retire at age 60 and 35 years experience with no penalty. Should the "window" fail to become extended, a severe financial penalty will be assessed to those who would elect retirement at 60 years. Why would the Legislature endorse this type of discrimination by closing the "window"?

One final comment please, should the Legislature fail to extend the window a message will be sent to each educator in the state. This message will be, if you qualify retire now at no penalty or work two or more years and retire with a penalty. On July 1, 1988, we will lose a great number of educators who would otherwise remain in education.

Thank you, Mr. Chairman.

ATTACHMENT #3

2/17/88



Kansas Retired Teachers Association

Retired — Not Withdrawn

1987 - 1988



ELECTIVE OFFICERS

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Secretary

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Legislative Chairman

Basil Covey
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Phone 913-272-5914

February 17, 1988

Members of the Pensions, Investments and Benefits Committee:

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

We support HB 2784 that makes permanent the KPERS "windows" for retirement without reduction after completion of 40 years of service or 35 years of service and reaching age 60.

Early retirement serves those teachers suffering from burn-out or those planning to retire early for other opportunities.

Early retirement serves the school districts having to reduce their staff due to lack of finances, or decrease in enrollment, without making layoffs. Vacancies otherwise may be filled by new young teachers.

The bill also applies to workers in other occupations that are more life-threatening than the work in education.

We urge your support of HB 2784.

Sincerely,

Basil Covey
Basil Covey
KRTA

APPOINTIVE OFFICERS

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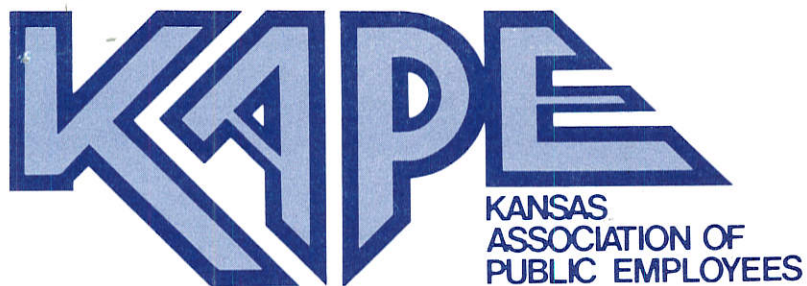
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ATTACHMENT #4

2/17/88



Summary of Presentation
Charles Dodson
Kansas Association of Public Employees
To the Committee on
Pensions, Investments and Benefits
February 17, 1988

Mr. Chairman, members of the committee, thank you for this opportunity to appear in support of HB 2784.

As of August 24, 1987 there were 513 classified and unclassified state employees with over 35 years of service on the state payroll. The unfortunate reality of state employment is that we have almost as many untrained employees entering state service every year as we have employees with over twenty years of service. Table 1 illustrates the dramatic turnover in state government.

There are many factors involved in this process. A decline of 40% in real wages over the past ten years, working in an unforgiving fishbowl, too many promotional opportunities based on who you know rather than on what you know, and a lack of coherent, consistent management policies. Regardless of the reasons for the few numbers of employees with over 35 years of service, the fact is that the impact of HB 2784 will be minimal on state government.

Requiring people who have over 35 years of service to remain on the job until they reach 65 can only affect two groups of employees, those who don't enjoy coming to work, and those who do. It should be obvious which group is the most productive. And, we would expect those who do enjoy their jobs and are more productive not to take advantage of the earlier retirement provisions. However, if we allow the window to close we may be forcing them to retire now. Allowing the early retirement provisions to become a permanent feature just makes good business sense and is sound management policy.

For those who may wonder if this type of feature is excessive or out of line with features contained in state retirement systems elsewhere, I would draw your attention to Table 2. Please note that 39 states allow retirement at age 60

with a minimum service requirement of 30 years. Four states allow retirement at age 62 with 30 years of service and seven, including Kansas because of the temporary nature of the early out program, require employees to wait until age 65.

Of the states that share a common border with Kansas, only Nebraska has the age 65 requirement; Missouri requires age 60, Oklahoma and Colorado use age 55.

We would urge you to to vote favorably on HB 2784. Thank you for listening, I will be happy to try to answer any questions.

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LENGTH OF SERVICE FOR CLASSIFIED/UNCLASSIFIED EMPLOYEES
AUGUST 24, 1987

YEARS SERVICE	CLASS.	UNCLASS	TOTALS
-----	-----	-----	-----
0	2365	480	2845
1	2172	555	2727
2	2014	646	2660
3	1719	610	2329
4	1173	486	1659
5	1271	559	1830
6	1353	560	1913
7	1688	496	2184
8	1463	574	2037
9	1282	493	1775
10	1130	434	1564
11	779	328	1107
12	757	393	1150
13	762	271	1033
14	699	250	949
15	578	228	806
16	472	244	716
17	534	257	791
18	480	207	687
19	422	227	649
20	399	240	639
21	434	192	626
22	275	156	431
23	314	128	442
24	239	135	374
25	211	86	297
26	173	78	251
27	154	57	211
28	187	65	252
29	190	60	250
30	158	60	218
31	177	41	218
32	120	43	163
33	88	29	117
34	86	26	112
35	61	15	76
36	67	15	82
37	32	18	50
38	43	17	60
39	38	17	55
40	43	20	63
41	17	9	26
42	6	3	9
43	57	35	92
TOTALS	----- 26682	----- 9843	----- 36525

TABLE 1

Minimum ages for normal retirement in states
after 30 years of employment and attainment of required age

STATE	Min. age	STATE	Min. age
1. Alabama	any	26. Montana	any
2. Alaska	any	27. Nebraska	65
3. Arizona	60	28. Nevada	55
4. Arkansas	60	29. New Hampshire	60
5. California	60	30. New Jersey	55
6. Colorado	55	31. New Mexico	any
7. Connecticut	65	32. New York	62
8. Delaware	any	33. North Carolina	any
9. Florida	any	34. North Dakota	65
10. Georgia	any	35. Ohio	any
11. Hawaii	55	36. Oklahoma	55
12. Idaho	60	37. Oregon	55
13. Illinois	60	38. Pennsylvania	60
14. Indiana	65	39. Rhode Island	55
15. Iowa	any	40. South Carolina	any
16. Kansas	65*	41. South Dakota	65
17. Kentucky	any	42. Tennessee	any
18. Louisiana	any	43. Texas	55
19. Maine	60	44. Utah	any
20. Maryland	any	45. Vermont	62
21. Massachusetts	65	46. Virginia	60
22. Michigan	55	47. Washington	any
23. Minnesota	62	48. West Virginia	60
24. Mississippi	any	49. Wisconsin	62
25. Missouri	60	50. Wyoming	60

* For two years (July 1, 1986-June 30, 1988), retirement without penalty is allowed for those age 60 and over and with 35 years of service, or at any age with 40 years of service.

TABLE 2

KANSAS
ASSOCIATION



OF
SCHOOL
BOARDS



5401 S. W. 7th Avenue Topeka, Kansas 66606
913-273-3600

TESTIMONY ON H.B. 2784
before the
House Pensions, Investments and Benefits Committee

by

John W. Koepke, Executive Director
Kansas Association of School Boards

February 17, 1988

Mr. Chairman and members of the committee, we appreciate the opportunity to testify today on behalf of the 302 members of the Kansas Association of School Boards. The Delegate Assembly of the Kansas Association of School Boards adopted the following resolution at its meeting held December 5, 1987:

Early Retirement

WHEREAS legislation was passed during the 1986 legislative session which eliminated early retirement penalties for KPERS-covered employees under certain circumstances; and

WHEREAS the early retirement legislation passed contained a sunset provision pending actuarial studies;

NOW, THEREFORE BE IT RESOLVED that the Delegate Assembly of the Kansas Association of School Boards expresses its full support for the permanent extension of this early retirement if it is shown to be actuarially sound.

ATTACHMENT #6 2/17/88