Approved 3/4/88
Date

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 Tuesday, Feb. 23, 1988, 19__ in room 527-S of the Capitol.

All members were present except: Rep. Dyck and Rep. Guldner, who were excused

Committee staff present: Alan Conroy, Gordon Self, Betty Lou Chidester, Secretary. Richard Ryan was attending another committee meeting.

Conferees appearing before the committee: John Foster, Chief of Police, Lenexa, Ks.
Delbert Fowler, Chief of Police, Derby, Ks.
Charles Dodson, KAPE
Gerry Henderson, Executive Director USA

The Chairman called the meeting to order and stated the first order of business was a hearing on HB 2780. Conferee John Foster, Chief of Police, Lenex, Ks., opposed that portion of the bill excluding sick leave and vacation pay from FAS, pointing out that since the inception of the retirement system, vacation and sick time has been included. He suggested an "implied contract" may exist as a condition of employment. His written testimony is attached to and made a part of these minutes. (See Attachment #1).

Rep. Ott questioned if workers report for work sick in order to save their sick leave. Mr. Foster related that had not been his experience. Rep. Ott then questioned if any other state included the SL and VL in computation for final average salary. The Chairman called attention to a report he had just received from Legislative Research. It will be sent to members.

Conferee Delbert Fowler, Chief Police, Derby, Kansas; also president-elect for KPOA; and presently acting as interim city manager, called attention to the fact tjat KP&F are currently under the 3 yr. final average salary plan and would be opposed to taking the SL & VL out of the computation. Last year their 13th check was taken away and nothing given in return so if any change is made, they (KP&F) should be "grandfathered in" and not lose out again. ATTACHMENT 2

Conferee Gerry Henderson, Executive Director USA stated his association continues to support legislation which seeks to improve KPERS retirement benefits for educators. USA supports the provisions of HB 2780.

Next conferee was Charles Dodson, KAOE. Mr. Dodson spoke against computation of FAS by removing lump sum payments. It is an incentive not to abuse sick leave. One day's sick leave per employee costs the state somewhere around $2\frac{1}{2}$ million dollars per year. Allowing lump sum payments is an incentive to use sick leave only when absolutely necessary. Mr. Dodson called the committee's attention to K.S.A. 75-4923 - "No alteration or amendment or repeal of this act shall affect the then existing rights of employees or beneficiaries". The lump sum can be removed without touching the act because it is in a separate section of the bill. However, if you look at KP&F you can only, according to the act, change their existing rights and benefits if they are not state employees - for example - you can only change that for anyone who is not a state, government employee - by changing the act, and that's what this bill proposes to do. He also called attention to Singer vs. City of Topeka (1980) wherein the court ruled that changes which result in disadvantages to employees must be accompanied by offsetting or counter-balancing advantages. This bill provides no offsetting advantage for the KP&F who are already working under the 3 yr. final average. He urged that HB 2780 be amended to remove the changes to the lump sum distribution for retirant purposes. Attachment #3

CONTINUATION SHEET

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

room 527-S Statehouse, at 9:00 AM a.m./p.m. on Tuesday, Feb. 23, 1988, 19__.

Craig Grant, KNEA was the next conferee - KNEA supports wholeheartedly the provisions of changing from 4 to 3 years used to calculate the final average salary. We would ask for favorable consideration of HB 2780. His written testimony is attached to and made a part of these minutes.(Attachment#4)

On HB 2790, Gerry Henderson, USA, urged making permanent the provisions which allow for early retirement at age 60 with 35 years of service or at any age with 40 years of service at full benefits. His written testimony is attached to and made a part of these minutes. Attachment #5.

The Chairman asked the committee to take action on HB 2703 - the bill introduced by Reps. Love, Wisdom, et al - upon motion by Rep. Sand and seconded by Rep. Wisdom, the motion passed.

The Chairman also asked for approval of the minutes for Feb. 3, 4, 9, 10, 16, 17, 1988. Upon motion by Rep. Laird, seconded by Rep. Wisdom, motion passed.

Meeting adjourned 9:40 AM

Rep Vern Williams

2/23/88

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.
Harold Pitts	Topeka	KRTA	2780
Col. Don Pickert	Topeka	KHP	
Capt. Paul Wade	TOPEKA	KHP	2780
John L. FOSTER	LENEXA	POLICE	2780
Barbara Sinder	Topeka	McGill & Assoc	
Dale E Dugan	~~2115~~ Topeka	—	
Craig Grant	Topeka	K-NEA	
William A. Caosler	Topeka	Peerchary	2780
Nancy Echols	Topeka	SRS	2780
Charles Dodson	TOPEKA	KAPE	2780
BARB REINERT	"	KPOA	"
Samuel H. Grant	TOPEKA	KHP	2780
Larry Pettijohn	Topeka	KBI	2780
[illegible]	Lawrence	KPERS	
[illegible]	Topeka	"	
LINDA McGILL	TOPEKA	KSTA	2780
Joe Myers	Topeka	DPS	2780

John L. Foster

Mr. Chairman and members of the committee. I am John L. Foster, Chief of Police at Lenexa. Thank you for affording me the opportunity to participate as a conferee concerning HB2780.

Since the inception of the retirement system, vacation and sick time purchased back by members agency has been included in the computation of final average salary for retirement purposes. This has in effect been the "custom and practice". There may even be an "implied contract" situation that presently exists under condition of employment.

However, I would like to discuss briefly and from a management position an important aspect of this practice. In agencies where there is a policy of "use it or lose it" concerning sick leave the opportunity for abuse abounds. Since there is no incentive to conserve sick time, why should the employee not use the maximum time alloted. This approach created by such policy presents a serious problem for management concerning the allocation of personnel particularily in the case of public safety employees and, I might add that public safety encompasses more than sworn enforcement officers and firemen. Each time that a person is off on sick leave the position must be filled by another member of the agency at a cost of time and one-half. This is a very expensive situation. Many agencies today participate in wellness programs and the buy-back provision and its inclusion for the purpose of final average salary is just the incentive needed to make these projects work. It is good for the employee and good for the employer. I urge that the committee reject that part of this HB2780 that would exclude sick and vacation compensation from being included for computation for final average salary.

Thank you,

ATTACHMENT #1 2/23/88

Derby Police Departmen[t]

Chief Delbert Fowler
229 N. Baltimore • Derby, Kansas 67037
Phone (316) 788-1557

February 23, 1988

HOUSE PENSIONS, INVESTMENTS AND BENEFITS COMMITTEE

Hearing on H.B. 2780

Mr. Chairman and Committee Members:

I am Delbert E. Fowler, Chief of Police of Derby, Kansas and President-elect of the Kansas Peace Officers Association. Thank you for allowing me the opportunity to address H.B. 2780.

It is apparent this bill could be of benefit to KPERS employees by reducing from 4 years to 3 years for figuring final average salary. However, this bill would hinder KP&F employees as they already are under the 3 year figuring for final average salary. By excluding the aggregate lump-sum payment for accumulated sick or annual leave, this bill would take away something from KP&F employees without giving them anything in return. It is currently understood by these employees that the retirement system is a condition of their employment.

As this committee probably realizes, last year the 13th check was done away with. KPERS employees did receive something in return, but KP&F employees received nothing in return.

I would hope if this bill is to become law that it would be amended to read, for those hired after July 1, 1988 thereby allowing current employees to come under a grandfather clause for the lump sum payments for accumulated sick or annual leave to be used for final averaging.

Thank you,
Delbert E Fowler

ATTACHMENT #2 2/23/88

KANSAS
ASSOCIATION OF
PUBLIC EMPLOYEES

Presentation of Charles Dodson to the
Committee on Pensions, Investments and Benefits
February 23, 1988

Mr. Chairman, members of the committee. Thank you for this opportunity to speak in opposition to those parts of HB 2780 that relate to lump-sum distributions for state workers. Specifically, we are opposed to those changes in Section 1,(i), line 56 through 58; Section 3, (9) lines 238 and 239; Section 4 (3) lines 450 through 453.

For the past few years, state employees have experienced a serious erosion of benefits. The benefits provided for insurance have been cut by drastic proportions. For the first time, the group insurance program is no longer a benefit provided by and fully paid by the state.

No longer is the retirement system one of matching contributions by employer and employee. Employees of state government now make contributions about double that of the employer.

We are given salary increases about 1/2 the cost of living and have to wait 18 months between raises to get those increases.

Now, HB 2780 would propose to take away another small benefit which in a few instances provides some small increase in retirement pay. We were told this past summer that a change from 4 years to 3 years to determine the final average salary would offset the loss. But, when salaries only increase at a rate of 2 or 3 percent per year, that is not of much value. If the 4% COLA is approved this year, the average annual increase to long-term state employees will be 2.25% over the last four years. The only gain by going from 4 years to 3 years FAS may be to local governments or school board employees who have averaged larger salary increases than state workers. These are the same groups who can only gain by passage of this bill.

We don't see anything in this bill which would address the issue of non-state workers receiving retirement credits for lump-sum payments where they have a contract with their employer

Attachment #3 Page 1 2/23/88

400 West 8th Ave. Suite #306 Topeka, Kansas 66603 913-235-0262

requiring such a payment. We do not see anything that would prohibit the inclusion of non-salary items into compensation for retirement purposes. We only see state employees picked out for a reduction of benefits.

KP & F members already have 3 years FAS yet they would lose the lump-sum distribution for retirement purposes. There is no makeup provision for those employees.

The question of equity has been expressed as it relates to employees who do not have adequate sick leave accumulation to qualify for payment at the end of their careers. May I point out that in a 35 year career an employee receives 420 days of sick leave. To qualify for the lump-sum distribution you need to have a minimum 100 days on retirement. We would suggest that employees not use any sick leave unless absolutely necessary. Then, even if they were to have a serious illness late in their career they still should have adequate sick leave accumulated to qualify for the payment. The current law is a strong incentive to avoid the unnecessary or marginally necessary use of sick leave.

I can assure you that state workers do not see HB 2780 as a method of resolving an inequity among state employees. It is viewed as what it is, a reduction in benefits. I hope that as you consider the various aspects of HB 2780, that you too, view it as a real reduction in retirement benefits with the goal of reducing only state workers retirement.

I would urge you to amend HB 2780 to remove the changes to the lump-sum distribution for retirant purposes.

Thank you for your attention, I will be happy to answer any questions at this time.

KANSAS-NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612

KNEA

Craig Grant Testimony Before The
House Pensions, Investments and Benefits
Tuesday, February 23, 1988

Thank you, Mr. Chairman. I am Craig Grant and I represent Kansas-NEA. I appreciate this opportunity to visit with the committee on HB 2780.

Kansas-NEA supports wholeheartedly the provisions of changing from 4 to 3 the number of years used to calculate the final average salary. As we investigate the other teacher retirement systems in the country, we find that a majority of them utilize 3 rather than 4 years when calculating final salary. This would be a benefit increase which our members believe is necessary to help bring us into line with other states.

One comment about costs and fiscal notes. In the past few years we made gradual improvements in our retirement system. Those improvements were welcomed and appreciated. Those gradual improvements came to a screeching halt last year when the state lowered significantly the percentage of payroll paid into KPERS while improvements were not forthcoming. We had problems with our state finances and we accepted the situation.

This year our teachers believe that the state can afford this improvement and others which you would consider. We would ask that you report HB 2780 favorably. We also would ask for favorable consideration of HB 2790, but believe that the bill keeping the provisions of the window permanent would take precedent over this bill.

Thank you for listening to the concerns of our membership.

Attachment #4 2/23/88

Telephone: (913) 232-8271

UNITED SCHOOL ADMINISTRATORS OF KANSAS

HB 2780

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

February 23, 1988

Our association continues to support legislation which seeks to improve KPERS retirement benefits for educators. The reduction from four years to three years in calculating final average salary is such an improvement. USA supports the provisions of HB 2780.

HB 2790

Providing KPERS early retirement at age 55 after 10 years of service with appropriate actuarial reduction is a limited step in the right direction. Making permanent the provisions which allow for early retirement at age 60 with 35 years of service or at any age with 40 years of service at full benefits is a better step.

GWH/ed

ATTACHMENT #5 2/23/88

820 Quincy, Suite 200 Topeka, Kansas 66612 (913) 232-6566